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20 November 1985

# China Report

ECONOMIC AFFAIRS

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20 November 1985

## CHINA REPORT

### ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### PROSPECTS FOR ECONOMIC REFORM ANALYZED

Beijing LIAOWANG [OUTLOOK] in Chinese 19 Aug 85 pp 9-12

[Article by Yuan Mu [5913 2606]: "Outlook on Prospects for Economic Reform"]

[Text] It has been 10 months since the promulgation of the "Decision of the CPC Central Committee on the Reform of the Economic Structure."

During these 10 months, China has carried out the all-round reform of its economic structure with emphasis on urban areas on a larger scale and to a greater extent. There have been some problems which are inevitable in the course of reform. In other words, there have been some complicated situations which are unavoidable during the replacement of an old economic model by a new one. But, judged from the situation as a whole, the progress of reform has been smooth, the development has been healthy and the road ahead is getting clearer and clearer instead of more confused. It goes without saying that clarifying this understanding is extremely important to unswervingly and continuously carrying out all reforms.

What then are the grounds for concluding that the road of reform is getting clearer and clearer? We may do a simple study and analysis in the following eight aspects:

#### 1. The guiding principle of action in reform.

In his "Government Work Report" to the Third Plenum of the Sixth NPC, Premier Zhao Ziyang set forth the principle of "being determined and prudent in the first battle to ensure victory." Setting forth the guiding principle of action for current reform, which is a summary of practical experiences gained in the past few years, is of great significance. It will help us push the great cause of reform to victory in a vigorous but safe manner in accordance with the correct principles specified in the Central Committee's "Decision." Being determined means that one must not hesitate or waver in adhering to the orientation and goal of reform. Being prudent in the first battle means that during this year which is the first year of implementation of the "Decision," one must think carefully and be very prudent when taking actions of reform. The purpose of doing this is to ensure victory. This is also reflected in the two sentences frequently quoted by Comrade Deng Xiaoping of late: First, we must be bold. Second, we must be prudent. In adhering to the orientation of

reform and goals, we should be bold and courageous; we should have faith and determination; and we should dare to bring forth new ideas and explore the road of advance. In regard to concrete actions of reform, we should act prudently, pay attention to methods and means and correctly handle the relationship between destruction and construction; we should have interim measures; and we should not demand instant victory and easy success. In my opinion, although this principle is set forth in view of this year's reform, it clearly is also of a long-term guiding significance for many years of reform to come.

## 2. The central task of reform.

In order to build a model of a socialist economic system which has Chinese characteristics and is full of vitality and energy, the most fundamental task is to eliminate age-old malpractices in the model of the planned product economy and fully develop the socialist commodity economy in a planned manner on the basis of public ownership. As such a reform develops in depth, two tasks must be handled properly. First, the vitality of enterprises, especially large and medium-sized state-owned enterprises, must be increased. This is the central link in the whole reform of the economic structure focused on urban areas. It is the starting point and support of reform and a foundation for invigorating the whole economy. Second, the state must strengthen its macroeconomic control, management and regulation. In other words, the general orientation must be controlled properly. In accordance with the essential requirements of these two tasks, we should look for a complete set of mechanisms and means in the course of reform to control the macroeconomy and vitalize the microeconomy and combine planning and the market in an ingenious and organic manner. This is the hardest task, but it must be solved for it also is the central task affecting the situation as a whole. The practice and ever-deepening development of reform has brought this task before all determined reformers.

Clarifying such a central task is extremely important because problems still exist in the progress of reform. The microeconomy has not been fully revitalized; not enough attention has been paid to the control, management and regulation of the macroeconomy. For instance, the skyrocketing of fixed-asset investment, consumption funds, and credit funds and the sharp decline of the state foreign exchange reserves can all be attributed to a lack of strict macroeconomic control. In the past we did not have a profound understanding of the fact that the state must strengthen control over the macroeconomy. Now, we have deepened our understanding through the enlightenment and lessons of practice. The deepening of understanding is, in other words, the prelude of the solution to our problem. If we can find, through several years of comprehensive reform, a good solution to the most important as well as the most difficult problem concerning macroeconomic control, microeconomic vitality, planned management and market regulation, economic relations will be smoother and the entire national economy will take a step further on the track of a benign cycle.

## 3. Revitalizing enterprises, especially large and medium-sized state-run enterprises.

The previous practice of reform has provided helpful experiences for increasing enterprise vitality from both inside and outside and has enabled the people to better understand this issue. With regard to the external conditions of enterprises, first, we must further simplify administration, delegate power and adhere to implementing the principle of separating government administration from enterprise functions. Except for very few industrial departments with special needs such as railways which should still be placed under the direct control of the state to form a vertical system, enterprises affiliated with central departments and provinces should be controlled generally by the cities where the enterprises are located. Nevertheless, urban governments should no longer use the old management method of simply relying on administrative means to exercise direct intervention in the production, supply, marketing, personnel and financial and material resources of enterprises. Instead, they should genuinely and thoroughly transfer to enterprises their due microeconomic decision-making power and administrative and managerial authority. They should by no means reduce such powers at each level. Second, those large and medium-sized enterprises which have done a good job in administration and management, made great contributions, and retained little profits, should be allowed to properly reduce taxes, regulatory taxes, and profit delivery to the state so that they can gradually increase the level of profit retention and increase the vitality of their self-transformation and development. Third, urban enterprises, especially large and medium-sized enterprises, should also be allowed to gradually reduce tasks of command plans to give them more power to produce and sell products on their own, not according to state plans. While adhering to the implementation of these reform measures, special attention should be paid to strengthening macroeconomic control and striving to maintain a balance between the aggregate demand and supply of society with the supply of a fairly large number of products slightly larger than their demand to form a buyer's market, which is the best. In this way, the often mentioned phenomena that "the daughter of the emperor need not to worry about marriage" and the "dirt of fast growing radishes does not get washed off" will be gradually improved, thus forcing enterprises to make up their minds amid market competition to improve their administration and management and accelerate the technological progress of their production. At present, special attention should be paid to discouraging blind competition and one-sided pursuit of increasing the rate of output value, and appropriately reducing the excessively high speed. Otherwise, the aggregate demand of society will be excessively and inappropriately stimulated, creating man-made tension throughout the economy. This will hamper the process of eliminating inferior enterprises through market competition and will discourage enterprises from striving to improve administration and management and bring about technological development.

With regard to the internal conditions of enterprises, especially large and medium-sized state-run enterprises, at present, it is necessary to emphasize that they keep their eyes on the inside, fully utilize the decision-making power already granted them by the state, quicken the tempo of internal reform, perfect the economic responsibility system with contracts as the main form, strengthen all-round quality and technology control, focus on the improvement of product quality and economic results, and tap the enormous potential hidden within the enterprises. This is not only what the vitalization of enterprises depends upon but also a basic way of accelerating China's modernization.



Enterprise officials, especially of large and medium-sized state-run enterprises, should never place their hopes simply on state tax and profit reduction for invigorating enterprises, for this is putting the cart before the horse. To speed up the internal reform of enterprises, first, we must resolutely reform their internal personnel system (particularly in large and medium-sized state-run enterprises), and let those people who have real courage and insight and managerial expertise enter leading bodies as soon as possible. We should further liberate our thinking, throw convention to the wind and boldly promote cadres through various channels. For instance, cadres may volunteer their services. They may be recommended by other people, elected in a democratic manner or hired through public notice. During the election and employment process, the question and answer method may be used to examine and select candidates. We should adopt different methods to help recognize talented people. However, there is one thing we must bear in mind: we must adhere to the principle of the party exercising control over cadres. Enterprise leading cadres, whether volunteered, recommended, elected or employed through public notice, should all be screened and approved by higher-level supervisory departments according to rules and regulations.

In the current internal reform of enterprises, it is still necessary to gradually institute the managers' contract responsibility system. The key to increasing enterprise vitality lies in the enthusiasm, initiative and creativity of the broad masses of staff members and workers. While emphasizing the need to fully arouse the enthusiasm of the broad masses of enterprise staff members and workers, we should also pay special attention to another important link, stimulating the enthusiasm of administrative and managerial personnel such as plant directors, managers, chief engineers and chief accountants. We did not pay enough attention to this in the past. We may consider having supervising departments sign contracts with administrative and managerial bodies consisting of plant directors and enterprise managers. Responsibilities, authority and interests should be clearly defined through contracts for enterprise managers so that they have rules to abide by and so that those who should be rewarded are rewarded and those who should be punished are punished. Some localities have adopted this practice and achieved good results.

#### 4. Fully exercise the functions of urban areas and gradually perfect commodity markets.

To carry out reform in accordance with the requirements of developing socialist commodity economy in a planned manner on the basis of public ownership, we must fully exercise the multiple functions of urban areas and gradually establish and perfect an open and unified, instead of closed and disjointed, socialist market. The people now have a better understanding of this than before. To invigorate enterprises and the economy while strengthening macroeconomic control, management and regulation, especially to increase the vitality of enterprises under the condition of commodity economic development and market competition, on the one hand, cities should by no means rely mainly upon administrative orders to interfere in the concrete production and operational activities of enterprises as they did in the past; on the other hand, all cities must be fully open, especially to other areas and other

cities. Only by doing so can we gradually establish and perfect a unified socialist market.

The current structural economic reform is focused on cities; therefore, there should be a change in our understanding of the city. A city is not a castle. In feudal society, a castle was either a military base or the territory of a certain aristocrat, not a product of the development of commodity production and exchange. Thus it was closed, not open. Modern cities are a product of the development of the commodity economy. They are distributing centers for goods and materials and hubs of communications and information. Some cities are also scientific, cultural and educational centers. Without the development of the commodity economy, there would be no modern cities; therefore, modern cities are open in nature. Their characteristics and functions determine that no cities should practice a closed-door policy; otherwise, they will be unable to survive, much less develop.

Without markets there would be no commodity economy. Development of the socialist commodity economy demands that socialist commodity markets be further expanded and perfected. It is necessary not only to develop the markets for means of subsistence but also to gradually reduce the variety and scope of means of production under unified state distribution and to allow more means of production enter markets to be freely purchased and sold. The development of commodity markets must be accompanied by the support and supplement of money, technology and labor markets. Cities should open their doors wide, welcome people from both public and private sectors and from both northern and southern China to do business in their cities, hold trade talks, make investment, strengthen coordination, pursue integration, exchange technology, develop commodity markets, open money markets and expand technology markets. Only thus will it become possible to invigorate the economy and cities. Without such a strategic concept, it will be impossible to take full advantage of the city's energy and vitality.

5. The coordination, reform and application of the mechanism of movement and the means of economic regulation.

The question of how to reform and apply various mechanisms of movement and means of economic regulation to suit various reforms mentioned before is becoming increasingly clear. This includes the issues of planning, price, labor and wages, finance, and foreign trade and exchange systems.

In a speech he delivered not long ago during his visit to the Federal Republic of Germany, Comrade Zhao Ziyang particularly emphasized the need for China's planned economy to gradually shift from relying on command planning to relying on guidance planning, and the need for China's economic management to gradually shift from relying on direct control to relying on indirect control. In other words, China will mainly use the means of economic regulation to manage the economy. This is the central task in reforming the planning system. It cannot be accomplished without considerable effort. Under China's socialist conditions, command planning is still necessary, applicable mainly for major economic activities and a few major products affecting the national economy and the people's livelihood. The proportion and scope of command plans should be gradually reduced and that of guidance plans increased accordingly.

The absolute degree of increase and reduction in command planning depends on the overall development level of socialist commodity economy. It should also be determined according to the different situations of different economic sectors, industries and products. Administrative means are necessary at all times. They should even be strengthened for a certain period of time. However, the general orientation should be to gradually reduce the application of such means. In sum, we should see to it that the reduction of command planning, the weakening of administrative means and the invigorating of the microeconomy are in line with the state's ability to strengthen macroeconomic control and apply the means of economic regulation. This is very important.

The road of the reform of the price system, which occupies a crucial position in the reform of the economic structure as a whole, is also becoming increasingly clear. In the price reform, we should be good at the comprehensive utilization of four words: "Decontrol, readjust, participate and control." "Decontrol" means that the prices of some commodities should be gradually decontrolled, allowing them to change according to changes in the supply and demand relations of markets and to gradually shift to floating or free prices. "Readjust" means that the state should take the initiative in readjusting the price differences resulting from the quality difference of certain commodities and irrational price relations between different commodities. "Participate" means that state-run industrial and commercial enterprises and state supplies departments should have control over a number of commodities so that they can participate in market regulation and suppress price increases by increasing and reducing the supply of these commodities whenever necessary. "Control" means exercising price control according to different grades and levels. The state should still exercise control over prices, but it should not exercise overcentralized control as it did in the past. Except for major farm products such as grain and cotton which are purchased by the state under contracts, the prices of all farm and sideline products should be gradually decontrolled and regulated by markets. We have already done so this year and the general situation is good. As for major means of production, we should first use two price systems, namely planning prices and non-planning prices or negotiable market prices, and then gradually transfer to one price system. We have already done so with some major means of production such as coal, petroleum and steel products. This practice has achieved marked results in alleviating contradictions between supply and demand, smoothing out price relations and accelerating production development. The price reform has taken a relatively large step this year and the general situation has been good so far. It is true that this year's inflation rate will be slightly higher than last year's, but only a part of the inflation will be caused by our voluntary readjustment of the price structure; the remainder will be caused by other factors. As long as there is no major problem in this year's price reform, the situation will be better next year and the road of reform will be easier to follow from now on.

State organs, institutions and establishments should implement the new structural wage system based on duty-oriented wages. Those state-run enterprises where conditions permit should gradually link their wage bill to economic results and make them float according to a definite ratio. This will be a giant step forward in China's wage system. It will be very helpful to further eliminating the egalitarian defects of the past in which



contributions and labor achievements were not considered. Of course, if we want to really smooth out wage relations which have accumulated many defects over the years, we still need many years of practice and efforts.

In the reform and application of the mechanism of movement and the means of economic regulation, we now have two relatively difficult tasks, the reform of the financial system, and the reform of the foreign trade and exchange control system. Excessively centralized control of foreign trade and exchange will dampen the enthusiasm of lower levels; excessive decontrol and disunity in dealing with foreign countries will result in a loss of control. Recently, some localities, departments and units, proceeding from their own interests, vied with each other in reducing export prices, competing among themselves before foreign businessmen, thus "benefiting outsiders." How to find a rational point of integration to arouse the enthusiasm of all fields and maintaining unity in dealing with foreigners so as to give due considerations to both factors indeed requires much arduous exploration and practice.

#### 6. The readjustment and simplification of state economic management organs.

If this problem remains unresolved, other reforms will be seriously affected. At present, "tearing down joss sticks first and then the temple" seems to be the safer method. In other words, along with the progress of various reforms, especially the simplification of administration, delegating power to lower levels and separating government functions from enterprise management, we should first clearly understand the functions of state economic management departments and see to it that those functions which should be strengthened are strengthened and those functions which should be weakened or abandoned are weakened and abandoned. Then, we can readjust the organs. Generally speaking, comprehensive economic departments should strengthen science in policy making, get rid of certain businesses, strengthen macroeconomic control and enhance policy-making intellectual organs. With regard to those industry-supervising departments with overlapping functions, simplification is the general orientation. As far as functions are concerned, the function of exercising concrete management over the production, supply, marketing, personnel, financial and material resources of enterprises should be weakened, but functions concerning how to make industrial planning, determine the orientation of industrial development, accelerate the rationalization of industrial lineup and rationalize the organizational structure of enterprises should be strengthened rather than weakened. In addition, economic legislative and judicial departments should also be strengthened. In sum, leading departments of all fields must establish the concept of serving grassroots units; as Comrades Deng Xiaoping and Hu Yaobang have emphasized on many occasions, leadership is nothing but service. The past situation in which grassroots units and enterprises served leading organs should be reversed so that leading organs will serve grassroots units and enterprises, offer them ideas and suggestions, make things easier for their revitalization, render consulting, information and various other services and formulate rational rules and regulations for them.

7. Supplementary reforms of other fields in line with the reform of economic structure.

It is becoming increasingly clear that the impact of the overall reform of economic structure focused on cities is bound to surpass the realm of economics and to demand coordination from the reforms of other fields. Otherwise, the results of the structural economic reform will be limited or it will be virtually impossible to carry out certain reforms smoothly. Following the promulgation of the decision on the reform of economic structure, the CPC Central Committee adopted the decisions on the reforms of scientific and technological and educational systems, two Marxist documents of great significance. Comrade Deng Xiaoping once said that formulating three programmatic documents during a 6-month period shows that our party had greatly raised its scientific level of socialist knowledge. This is a major event which we should be happy and excited about.

8. The need to consider reform as complex, arduous socialist systems engineering in study, and to observe the principle of paying attention to "both civilizations."

Carrying out the economic reform in accordance with the demands of developing a socialist commodity economy in a planned manner on the basis of public ownership will inevitably result in profound changes in the material and ideological life of all members of society. How to adopt a series of correct social policies in accordance with these changes to help our reform advance along the track of socialism from beginning to end, to continue to perfect socialist systems, and to manifest the superiority of socialism is undoubtedly an extremely complicated social systems engineering project. Take social distribution for example. How do we concentrate on overcoming the major current malpractice of egalitarianism, enlarging a reasonable disparity of social distribution and encouraging some people to become rich first, while avoiding excessive disparity in distribution, to guarantee the basic living standards of all members of society and help gradually achieve common prosperity and demonstrate the superiority of socialist systems? This demands that we conscientiously and carefully improve the distribution system, adopt a series of correct social policies, and perfect various social security systems. In the course of carrying out the reform as a complicated project in social systems engineering, we should always pay attention to strengthening simultaneously the construction of spiritual and material civilization. The negative lessons gained from the spread of unhealthy tendencies in the past has provided us with a deeper understanding of this point. The development of newly-emerged unhealthy tendencies has ruined the reputation of the reform, seriously interfered with the reform and seriously undermined the construction of material and spiritual civilizations. Such unhealthy tendencies must be resolutely eliminated; otherwise, it will be very difficult to carry out the reform smoothly. We must not forget for a moment that the basic objective of the reform is to continue to improve the socialist system, develop socialist productive forces, make the state prosperous and powerful and the people rich and happy, and build a strong, modernized socialist country with a high level of democracy and civilization. Comrade Deng Xiaoping more than once reminded the party of the fact that the modernization we want to achieve is socialist modernization, not any other kind. Therefore, we must pay special attention

to doing a good job in the education of ideals and disciplines and unswervingly adhere to the principle of paying attention to "both civilizations." Only by adhering to the socialist road and establishing the lofty ideals of communism can we remain unshaken in the orientation of the reform; only by strengthening disciplines can we unify our efforts to strive for victories in the reform.

Due to space limitations, the above discussion is very simple. What we must point out here is that when we say the road of reform is becoming increasingly clear along with progress in practice, we are referring to the general orientation and the situation as a whole. On the road to success, there are undoubtedly still many unknown realms of necessity awaiting our exploration, many difficulties waiting for us to overcome, and a huge amount of arduous work waiting to be done. The reform of economic structure is a very arduous and complicated and extremely profound and extensive social change. The appearance of some problems and even mistakes would not be strange in this type of social change. We should try our best to do better and avoid major mistakes. We should not panic even when we do have problems. The important thing is to sum up experiences and lessons and correct them in a timely manner. In sum, we should have strong faith and take steady steps. Success is certain in this reform of far-reaching historical significance currently being pursued in the Divine Land [shen zhou 4377 1558]. This is the people's wish as well as an unavoidable trend of historical development.

12302

CS0: 4006/967

NATIONAL POLICY AND ISSUES

LEGAL AID FOR 7TH 5-YEAR PLAN ENVISAGED

OW170940 Beijing XINHUA in English 0900 GMT 17 Oct 85

[Text] Beijing, October 17 (XINHUA)--More than 100 new economic laws and regulations will be passed in a bid to ensure the success of China's seventh five-year plan, it was announced here this week.

The legislation will be introduced during the course of the 1986-1990 plan, said Gu Ming, head of the State Council's Economic Legislation Research Center and president of the Chinese Economic Law Society.

He was addressing a meeting here to discuss legislation in the machine-building industry.

Firstly, he said, to support the country's economic reforms, China would formulate and pass a law covering state-owned enterprises, a corporation law, regulations to protect and encourage competition between enterprises and a law to combat dishonest business dealings.

Measures would also be taken to guarantee the further opening up of the country to the rest of the world. New laws of this type would cover foreign trade enterprises funded exclusively from abroad and Sino-foreign ventures.

Finally, the authorities would draft regulations on the funding and construction of major state schemes involving energy, transport, telecommunications and raw materials. Regulations would also be drawn up governing the development of the steel, electricity, shipbuilding, petrochemical and building materials industries.

At the same time, China would speed up the classification and compilation of current laws and regulations. And outdated laws not applicable to the present would be amended.

Gu said the authorities would consult a range of specialists from all over China, foreign legal experts and the general public in formulating the new legislation.

/9599

CSO: 4020/48

20 November 1985

## NATIONAL POLICY AND ISSUES

## NEED SEEN TO DEVELOP LIGHT INDUSTRY IN NORTHWEST

OW172033 Beijing XINHUA in English 1937 GMT 17 Oct 85

[Text] Beijing, October 17 (XINHUA)--Northwest China must speed up the development of light industry from now on, in order to meet the needs of the switch of the focus of economic development of the state from east to west towards the end of the present century and the beginning of the next, the Light Industry Ministry said here today.

A spokesman for the ministry said the switch of economic development focus is a major policy decision of strategic importance for the development of the region's agriculture, animal husbandry, fruits, other cash crops and raw materials. This will contribute to achieving a more co-ordinated development of light and heavy industries, to satisfy the needs of local people and to accumulate funds for opening up the northwest.

The northwestern region includes the Xinjiang Uygur and the Ningxia Hui Autonomous Regions, and Shaanxi, Gansu and Qinghai Provinces. It has a total area of nearly three million sq km, accounting for nearly one-third of the total land area of the country. Its total population is about 70 million.

Although the region produces just about all kinds of light industrial goods, the level of development is low. Total light industrial output value in 1984 was just over 10 billion yuan, accounting for some three percent of the national total.

A recent symposium held by the light industrial departments of the region pointed out that the region must open wider to the rest of the country and to the outside world and import more funds and qualified personnel.

Recently, these provinces and municipalities have held international economic and technical symposiums at which light industry was the focus, the spokesman said. For instance, at the Xinjiang International Symposium, 106 letters of intent and 12 contracts or agreements were signed including 43 letters of intent and four contracts for light industry, which accounted for more than half the total amount.

He said the leaders of the region have realized the importance of qualified personnel and have adopted positive policies. The Xinjiang Uygur Autonomous Region has invested 5.5 million yuan in building secondary technical schools for light industry and sent students to study in other provinces. Not only will they bring in technicians from other parts of the country, experts will be invited from abroad to help in their work, he explained.

/9599

CSO: 4020/48



## NATIONAL POLICY AND ISSUES

### PRC JOURNAL CALLS FOR DEVELOPING CORPORATE LAW

HK210816 Beijing CHINA DAILY in English 21 Oct 85 p 4

[Text] The country must immediately develop a body of corporate law now that corporations have sprung up across the land with the unfolding of the economic reform, according to a signed article in DEMOCRACY AND LEGAL SYSTEM MAGAZINE.

Corporations are a positive factor in the current economic reform. Corporations invest in the country's productivity, which helps ease the state's burden and shortage of funds.

Corporations help make technology serve market needs and convert technological inventions into production. They also facilitate the distribution of commodities, stimulate competition and help eliminate "iron bowl" practices. Corporations strengthen and expand economic and technological ties abroad.

But, like anything new, corporations create problems.

Some corporations are nothing but names. Some have no personnel, capital, or head offices.

Quite a few corporations have no charters or only superficial ones. As a result, confusion arises in their internal affairs and in their relations and obligations to the state and to other corporations.

Some have no boards of directors nor boards of shareholders while others have only nominal ones. Often, the composition, powers and responsibilities of the boards go undefined.

Liabilities of some corporations are not clearly defined either. Whether a corporation has limited or unlimited liability is important to its credit and the stability of its relationship with debtors and creditors.

A corporation, as a legal entity, should have its own assets and funds, which are the prerequisites for incorporation. But some corporations are operating on the funds of state-run enterprises and fixed assets. Therefore, these corporations simply reap profits at the cost of the state.

There is also an absence of coordinated control and supervision on the part of banks and tax and audit departments.

The situation calls for a body of corporate law that regulates the internal structure of a corporation as well as its relations with other corporations and with the state.

However, it would be unrealistic to map out a comprehensive set of corporate laws at present. This is because corporations will evolve both in structure and function with the development of economic reform. Furthermore, working out a body of corporate law requires legal proficiency, sophisticated knowledge and is time-consuming.

But the urgent need for a corporate law cannot wait too long. And a specially tailored corporation law for state-run industrial corporations, for example, is far from sufficient, because it does not cover corporations geared to service trades and other areas.

For the time being, the best course is to write a body of corporate law that covers major issues. It need not to be all embracing.

This law should confirm corporations' status as legal entities. With assets and capital at their disposal, engaged in profit-making activities and committed to limited liability, corporations would thus be distinct from administration-natured corporations. This separates economic management from government administration. Defining the corporation as an aggregate, the law would deny any single person or non-corporate economic body the right to set up a corporation, which would prevent rampant creation of corporations.

The corporate law should guarantee decision-making powers and other rights in economic activities.

The law should also require that a corporation has a board of directors, board of shareholders and supervisory committee, each with its powers and the members' qualifications clearly defined.

Finally, corporate law has extended close legal relationships with other bodies of law. Therefore, attention should be paid to issues such as tax obligations, bankruptcy and audits.

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CSO: 4020/48

## NATIONAL POLICY AND ISSUES

### PRC TO EXERCISE TIGHTER FOREIGN EXCHANGE CONTROL

OW171717 Beijing XINHUA in English 1604 GMT 17 Oct 85

[Text] Beijing, October 17 (XINHUA)--China will exercise stringent control over reckless imports of motor vehicles, household electrical appliances and other consumer goods, State Councillor Gu Mu stressed here today.

"Opening to the outside world and utilization of foreign funds are China's set policy guidelines and the Chinese Government encourages bold imports," he reiterated at a meeting with 50 Australian legal scholars and lawyers attending a Sino-Australian conference on economic and trade laws.

However, he noted, all projects involving imports and foreign investment must take into account the balance between foreign exchange earnings and expenditure, as China does not have plentiful foreign exchange reserves at present.

"The Chinese Government protects the legitimate profits in foreign exchange of foreign investors and enterprises using foreign funds," he told the Australian guests. They are also allowed to remit such profits out of China, he added.

All of the country's projects involving foreign investment at present can maintain a foreign exchange balance, he revealed.

The nation's foreign exchange reserves dropped somewhat between last winter and this spring, as a result of lax control and extra-budgetary expenditure.

Gu said: "The Chinese Government has taken a series of measures to tighten foreign exchange control. China will ensure a sufficient amount of foreign exchange reserves this year and in the future."

Speaking of the foreign exchange balance in Sino-foreign joint ventures and cooperative businesses, he explained that if they cannot keep the balance by themselves, efforts will be made to coordinate the balance within an industry or a region.

Meanwhile, he went on, the state will also aid those enterprises that have sophisticated technology badly needed at home to strike a foreign exchange balance.

Gu also expressed the hope for greater Sino-Australian economic and trade relations.

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NATIONAL POLICY AND ISSUES

NATIONAL SYMPOSIUM ON TV QUALITY OPENS IN BEIJING

OW171236 Beijing XINHUA in English 1146 GMT 17 Oct 85

[Text] Beijing, October 17 (XINHUA)--Raising the ideological and artistic quality of television plays should be given top priority, Xie Wenqing, vice-minister of radio and television said here today at the opening of a national symposium on improvement of quality of television plays.

He quoted a recent speech by Deng Xiaoping in which the Communist Party leader said the sole criterion for evaluating ideological and cultural work is its social effect.

Xie said those engaged in television work should adhere to the party's principle that literature and art should serve socialism and the people. This would help kindle the audience's enthusiasm for the country's modernization program.

However, he said, this does not mean that all television plays must deal with the country's current reforms. He reminded the delegates that the party's Central Committee has time and again stressed that writers and artists should have freedom in their work. Artistic creation should be based on their own aspirations and intentions instead of on orders from above.

He said giving the audience something to enjoy on the TV after coming home from work is also serving socialism and the people.

The current symposium, he said, was convened at a time when there were more and better TV plays on China's screens. But there are still many mediocre programs and the task of improving quality is not easy.

The vice-minister said he thought television plays were being produced too fast, which boded ill for quality.

TV plays production rose from 400 in 1983 to 800 in 1984. This year production will reach 1,300.

Attending the symposium are 160 directors, scenarists, critics and cadres. They will exchange work experience, discuss ways to improve television play quality and the system of production management. The symposium will last two weeks.

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## NATIONAL POLICY AND ISSUES

### INCOME, CONSUMPTION GAPS BETWEEN PEASANTS, WORKERS NARROW

Beijing TONGJI [STATISTICS] in Chinese 17 Oct 85 pp 9-11

[Article by Long Jing [7893 7234]: "Peasants Catching Up with Workers in Living Standards"]

[Text] A sampling survey in 1983 on 30,427 peasant households in 600 counties and 9,060 worker households in 47 cities shows that both peasants' and workers' incomes have increased substantially since the 3d Plenum of the 11th CPC Central Committee, consumption by peasants and workers has risen visibly and that income and consumption gaps between them have gradually been narrowed.

#### I. Income Gap Between Peasants and Workers Has Narrowed

1. Peasants incomes have been rising faster than workers'. In 1983, the former's per-capita net income was 309.77 yuan, up 130 percent over 1978, for an average annual increase rate of 18.3 percent, or 34.24 yuan. The per-capita income of workers was 525.96 yuan, up 66.5 percent over 1978, for an average annual growth rate of 10.7 percent, or 42 yuan. After taking into account the rise in the cost of living index, the real increase over 1978 was 42.6 percent, or 7.4 percent per year.

Peasants spend their net income on expanded reproduction as well as to defray living costs. In 1983, they spent an average of 18.44 yuan of their net income on reproduction, leaving the rest, 291.33 yuan, as living expenses. This figure represents a 120-percent jump over 1978, or 157.76 yuan. After discounting price increases, the average peasant actually had 265.01 yuan at his disposal as living expenses. If we take this amount as 1, the ratio between a worker's income and a peasant's has narrowed from 2.37:1 in 1978 to 1.7:1 in 1983.

2. There has been a notable drop in the number of low-income peasant and worker households. The number of peasants making less than 150 yuan a year declined from 19.6 percent of the sample population in 1981 to 7.6 percent in 1983, while the number of households making 500 yuan or more rose from 3.2 percent of the sample population to 11.9 percent. The number of workers earning less than 240 yuan shrank from 2.1 percent in 1981 to 0.6 percent in 1983, while the number of households earning 720 yuan or more grew from 6.5

percent in 1981 to 13.1 percent in 1983. Both the drop in low-income households and the growth of high-income households have been more rapid among peasants than among workers.

## II. The Consumption Gap Between Peasants and Workers Has Narrowed

In 1983, peasants spent an average of 248.29 yuan on consumption, up 110 percent over 1978, or 132.23 yuan, for an average annual increase rate of 16.4 percent, or 26.45 yuan. The per-capita living expenses for workers was 505.92 yuan, an increase of 194.76 yuan over 1978, or 62.6 percent. The average annual growth rate was 10.2 percent, or 38.95 yuan.

In recent years, as their incomes steadily climbed and consumption visibly improved, peasants have reduced their income and consumption gaps with workers, as the following table shows:

	1978	1981	1982	1983
Peasant living expenses	116.06	190.81	220.23	248.29
Worker living expenses	311.16	456.84	471.00	505.92
Worker:peasant ratio (peasant=1)	2.68	2.39	2.14	2.02

[Figures for living expenses are yuan per capita.]

However, prices affect a worker's cost of living more than a peasant's. In 1983, a worker spent an extra 72.4 yuan over 1978 in living costs as a result of price increases, which made up 14.3 percent of his total living costs. In the same year, the peasant's additional outlay was 31.8 yuan, or 12.8 percent of his total living costs. After allowing for increases in the cost of living index, the ratio between a worker's consumption and a peasant's was further reduced to 2:1.

## III. Changes in Peasants' and Workers' Consumption Patterns

1. There has been an across-the-board increase in consumption by peasants and workers, accompanied by a general narrowing of the consumption gap between them. Peasants spent an average of 147.24 yuan on food in 1983, up 87.4 percent over 1978, or 68.65 yuan. Food consumption among workers averaged 299.52 yuan in 1983, up 67.4 percent over 1978, or 120.6 yuan. The worker: peasant ratio fell from 2.28:1 to 2.03:1.

Peasants spent an average of 27.65 yuan on clothing in 1983, up 87.6 percent over 1978, or 12.91 yuan; clothing consumption among workers averaged 73.56 yuan, an increase of 31.32 yuan over 1978, or 74.2 percent. The worker:peasant ratio was thus trimmed from 2.87:1 to 2.66:1.

Articles of daily use accounted for 26.89 yuan of a peasant's living expenses, an increase of 250 percent, or 19.27 yuan. Similar consumption by workers averaged 79.8 yuan, up 63 percent over 1978, or 30.84 yuan. The worker: peasant ratio was reduced from 6.43:1 to 2.97:1.

2. Changes in the consumption patterns of peasants and workers show obvious differences. During the 1978-1983 period, peasants bought more articles of daily use but spent proportionately less on food, clothing and fuels. Workers, on the other hand, spent more on all these items. Specifically, 59.3 percent of a peasant's consumption funds went to food, a drop of 8.4 percent, whereas the worker increased his food expenses by 1.7 percent to 59.2 percent. The peasant reduced his clothing expenses by 1.6 percent to 11.1 percent; meanwhile the worker increased it by 0.9 percent to 14.5 percent. The peasant spent 1.7 percent less on fuels, to 5.4 percent; the worker also cut his fuels expenses by 1 percent to 1.7 percent. The peasant devoted 10.8 percent of his consumption funds to articles of daily use, up 4.2 percent, while the worker spent 15.8 percent, up 0.1 percent.

3. Both peasants and workers have spent proportionately less on cultural services. While per-capita cultural expenses by both peasants and workers went up in absolute terms, they declined as a percentage of total consumption. The decline during the 1978-1983 period was from 2.7 percent to 2.2 percent among peasants, and from 10.1 percent to 8.3 percent among workers.

#### IV. Changes in the Consumption Levels of Major Consumer Products

1. Both peasants and workers have been eating more high-protein, low-fat food. While the grain consumption gap between them has barely changed, the gaps in such categories as pork, beef, mutton, fish and shrimp, sugar, cigarettes, liquors and tea leaves have shrunk. In contrast, consumption gaps in vegetables, vegetable oil, poultry and eggs have widened, as shown in the following table giving per-capita figures:

	1981		1983		Worker:Peasant (peasant=1)	
	Peasant	Worker	Peasant	Worker	1981	1983
Grain (processed grain)	437.5	290.9	445.4	289.0	0.66	0.65
Vegetables	248.0	304.7	261.9	330.0	1.23	1.26
Vegetable oils	3.8	9.6	4.4	13.1	2.54	2.99
Pork	16.3	33.8	18.6	36.0	2.07	1.94
Beef, mutton	1.1	3.4	1.3	3.7	3.14	2.78
Poultry	1.4	3.8	1.6	5.2	2.72	3.17
Fresh eggs	2.5	10.4	3.1	13.8	4.18	4.39
Fish, shrimp	2.6	14.5	3.2	16.2	5.67	5.11
Sugar	2.2	5.8	2.5	5.5	2.63	2.20
Liquors	4.6	8.7	6.4	10.7	1.88	1.67
Cigarettes	15.0	35.9	19.9	33.5	2.39	1.68
Tea leaves	4.4	4.8	4.4	3.6	1.09	0.82

[All items in jin, except cigarettes (pack) and tea leaves (liang).]

2. Both peasants and workers are wearing better-quality clothes. The consumption gaps between peasants and workers in cotton cloth and woollens

widened in 1983 compared to 1981 but narrowed in chemical fiber fabrics, silks and satins. Per capita figures are given in the following table:

	1981		1983		Worker:Peasant (peasant=1)	
	Peasant	Worker	Peasant	Worker	1981	1983
Cotton cloth	12.62	13.91	9.53	15.63	1.10	1.64
Chemical fiber fabrics	3.70	15.01	7.01	6.78	1.35	0.97
Woolens	0.18	0.66	0.16	0.93	3.67	5.81
Silks, satins (unit: chi)	0.15	1.29	0.21	1.35	8.60	6.43

3. The consumption of durable goods has shot up sharply, with a striking reduction in the gap between peasants and workers. The table below presents statistics for every 100 households:

	1981		1983		Worker:Peasant (peasant=1)	
	Peasant	Worker	Peasant	Worker	1981	1983
Bicycles	44.4	135.9	63.4	159.9	3.06	2.52
Sewing machines	27.7	70.4	38.1	76.2	2.54	2.00
Radios	47.3	100.5	56.8	104.6	2.13	1.84
Watches	55.1	240.8	91.4	268.2	4.37	2.93
TV sets	0.9	57.7	4.0	83.2	66.26	20.84

In 1983, there were 1.51 tape recorders for every 100 peasant households, up from 0.66 in 1982. Among worker households, the figure in 1983 was 27.11, up from 17.99 in 1982. Hence the gap between workers and peasants was reduced from 1:27.26 to 1:17.95 [all figures as published]. The number of electric fans for every 100 peasant households also rose from 2.29 in 1982 to 4.42 in 1983; the corresponding figures for worker households were 53.17 and 63.61, bringing down the gap from 1:23.22 to 1:14.39 [all figures as published].

#### V. Housing Has Gradually Improved

As incomes have risen and the basic needs for food and clothing have become satisfied, peasants have shown a surge of enthusiasm for improving their housing conditions in recent years. In 1983, per-capita living area among peasants was 11.6 sq m, a gain of 3.5 sq m, or 43.2 percent, over 1978. Because of the state's emphasis on improving urban residents' housing conditions, housing construction has proceeded rapidly; in 1983, per-capita living area for workers was 5.8 sq m, up 40.5 percent, or 1.7 sq m, over 1978. Despite the accelerating pace of housing development, about one-third of worker households still live in overcrowded housing.

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## PROVINCIAL AFFAIRS

### FUJIAN'S ECONOMIC PERFORMANCE IN 1984 REPORTED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese 5 Feb 85 pp 28-29

[Article by Zong He [1350 4421]: "Unusually Good Conditions: A Summary of Fujian's Economy in 1984"]

[Text] In 1984, Fujian's economy performed unusually well. It is estimated that provincial gross industrial and agricultural output value may have topped 18.8 billion yuan, an increase of 16 percent over the previous year. And economic development was characterized by large and balanced growth in industrial output, across-the-board increases in agricultural production, a further strengthening of key construction projects, prosperity in urban and rural markets, further progress in external economic activities, accelerated development in special economic zones, a large rise in fiscal revenues, and continued improvement in living standards.

#### I. Agricultural Production Is Diversifying, and Rural and Small Town Enterprises Continue To Grow Rapidly

In 1984, agricultural production grew across the board, and the growth rate for agricultural output value was the highest in 6 years. Crop mixes were further readjusted, and the grain sown area declined 3.7 percent from the previous year and accounted for a smaller share of the total crop sown area. Yet despite this decline and the occurrence typhoons and cold snaps, we achieved a fairly good grain harvest, which followed 7 straight years of bumper harvests, because all localities adopted measures to increase output and ensure harvests, widely disseminated advanced technology, vigorously promoted scientific cultivation and increased yields. Output of all cash crops rose by different amounts. It is predicted that output of oil-bearing crops reached 3.02 million dan, a rise of 4.8 percent. Sown areas for sugar cane and tobacco increased, and output greatly expanded: that of sugar cane is predicted to have reached 93.50 million dan, a rise of 35.8 percent, and that of tobacco 520,000 dan, a rise of 91.5 percent. With the exception of longan, harvests of all other fruit were very good, establishing a record high: output is predicted to have been 4.12 million dan, a 7.5-percent increase. Pork, beef and mutton output may have reached 610,000 dan, a 0.7-percent increase, and pig, cattle, and sheep inventories all increased. Fujian's vast forest zones continued to implement the "three-fix" policy, and afforested area greatly expanded, reaching 4.406 million mu, a rise of 29.7 percent.

With the development of Fujian's rural commodity economy and the rise in productivity, peasants have continually provided more and more social commodities; the vitality of the rural economy has greatly improved; the countryside has gradually moved out of traditional agriculture and into modernized, mass, and commercialized production; and rural surplus labor has begun to shift from agricultural production into other areas such as industry, construction, transportation, commerce and catering services. Family factories and enterprises funded singly or jointly are steadily emerging. And rural and small town enterprises have developed even more rapidly. It is estimated that the latter now number 121,000, an increase of 71.6 percent over 1983, and that their gross income totaled 3.8 billion yuan last year, an increase of 35 percent. These entities thus have become an important mainstay of the revitalization of Fujian's rural economy.

## II. Industrial Output Is Now on the Path to Stable, Continued and Healthy Development, and Economic Results Have Markedly Improved

Along Fujian's industrial front, further advances were achieved in the restructuring of the economic system. Following the call by 55 factory heads and managers to "loosen fetters and transfer authority," the provincial party committee and government stressed economic reform centered on administrative streamlining and authority transfers, and proposed granting "the three prerogatives" and increasing "the three powers." Enterprises established various types of responsibility systems, greatly mobilized employee enthusiasm and initiated an unusually good trend in industrial production. For the year, gross industrial output value reached 11.515 billion yuan, which exceeded the target for 1985 established by the Sixth 5-Year Plan, represented a 20.2-percent increase over 1983, and greatly exceeded the average growth rate in gross industrial output value for 1979-83, which was 9.1 percent. This indicates that several years of readjustment have enabled Fujian's industry to get on the right track to stable, continued and healthy development. Raw-coal production reached 5.734 million tons, an increase of 9.4 percent, and electric-power output totaled 6.486 billion kWh, a rise of 5.4 percent.

Light and heavy industry grew in a balanced and proportional manner. For the year, light industrial output totaled 7.265 billion yuan, a rise of 21.3 percent, while heavy industrial output was valued at 4.25 billion yuan, an increase of 18.4 percent. Except for the first few months of the year, the output ratio between the two sectors was maintained at approximately 63:27. Among 69 primary industrial goods, the output of most products increased over the previous year, 47 met or exceeded their targets for 1984, and 19 of these latter products met the targets for 1985 set forth in the Sixth 5-Year Plan. Under the policy of placing equal stress on production and conservation, supplies of energy sources that condition industrial and agricultural production showed increases. Raw-coal production totaled 5.734 million tons, an increase of 9.4 percent, and electric-power output reached 6.486 billion kWh, a rise of 5.4 percent.

Fujian's industrial enterprises showed marked improvement in economic results last year. In the budget for January-November, the industrial output value of these enterprises rose by 14 percent, sales revenue climbed 14.3 percent and

taxable income increased 16.8 percent. Thus we were able to achieve "double-digit growth" and make "the three elements advance in step."

Industrial sectors also fully exploited Fujian's advantages in the open-door policy, vigorously introduced the outside world and helped link it to the domestic realm, and made gratifying progress in importing foreign technology and equipment and in transforming old enterprises. Two-thirds of the growth in industrial output value stemmed from technological advances, and each yuan invested in technological imports generated an average of 3 yuan in output and nearly 0.8 yuan in profit taxes.

### III. Key Construction Projects Were Strengthened

After several years of readjustment, we have basically resolved the problem of scattered funds and projects which plagued Fujian's capital-construction front, gradually made the internal mix of capital construction more rational, increased investment in such construction and reduced the ratio of investment in non-key construction. From January through November of last year, state-owned units invested a total of 1.09 billion yuan in capital construction, a rise of 27.3 percent over the previous year. State investment increased 53 percent, and domestic loans rose by 14.7 percent. Transportation and energy construction, which have weak foundations, were strengthened, and investment for energy construction increased 52.2 percent. Investment in construction of cultural, educational and public health facilities increased 40.3 percent, and in urban construction, 33.6 percent. Fujian's 22 key construction projects received 334 million yuan, or 30.6 percent of all investment for capital construction in the province, a rise of 27.2 percent over the same period during the previous year. Construction in the Xiamen Special Economic Zone achieved even greater progress, totaling 337 million yuan, or one-third of all such investment in the province, between January and November. Transportation, communications and other infrastructural components were greatly improved, which greatly increases the province's ability to attract foreign businessmen. We have stepped up efforts to prepare for the establishment of the Mawei Economic and Technological Zone, and water, electric-power, highway, communications, and hotel projects are under construction. Foreign businessmen from the United States, Japan, Singapore, Hong Kong and eight other countries and regions have come to engage in talks and examine investment projects.

### IV. Urban and Rural Markets Are Prospering

Due to economic growth and the rise in social purchasing power, urban and rural markets have become increasingly prosperous. In 1984, provincial social commodity retail sales volume rose by approximately 17 percent over the previous year. Commodities were plentiful, availability of nonstaple foodstuffs improved and supply of fresh and live foods increased. Retail sales of consumer goods increased by about 19 percent. With the extension of land contracts, the focus of rural demand for agricultural machinery has shifted toward small four-wheeled tractors and motor vehicles for use in farming, and peasants have become more selective with respect to small and medium-sized implements, preferring high-quality, name-brand goods. Retail sales of agricultural means of production rose by more than 6 percent.



#### V. New Advances Have Been Made in External Economic Activity, and Breakthroughs Have Been Achieved in Attracting Foreign Capital

With the further opening up to the outside world, Fujian has steadily increased trade contacts with Japan, the United States, Southeast Asian countries and Hong Kong. In 1984, foreign trade totaled \$624 million, an increase of 4.2 percent over the previous year. Of this amount, exports reached a total of \$423 million, a rise of 7.1 percent, despite efforts to reduce exports of goods suffering heavy losses, and the annual target for exports was met ahead of time.

New breakthroughs have been made in attracting foreign capital, there are more large, productive and developmental projects, and 230-plus contracts were approved involving the introduction of foreign capital, which totaled \$200-plus million, exceeding the sum of the previous 5 years. The introduction of advanced technology has also been accelerated, 258 such projects were approved, 232 of these signed contracts, and investment, totaling \$400-plus million, has already been made for 104 of these.

#### VI. Fiscal Revenues Have Risen More Rapidly, and Living Standards Have Improved

Fiscal revenues have risen more rapidly following the expansion in production, the invigoration of circulation, the improvement in economic results, the further shift by the state from the use of profits to reliance on taxes and the readjustment of tax policy. And, with the help of central subsidies, Fujian's budget is basically balanced.

The incomes of urban and rural residents have steadily risen, and living standards continue to improve. On the basis of a sample survey, it is estimated that peasant net per-capita income may have reached 328 yuan in 1984, a rise of 8 percent over the previous year, and that employee disposable income averaged 586 yuan a person for the year, an increase of 11 percent.

Fujian's economic achievements in 1984 resulted from the continued implementation of the policy of "readjustment, restructuring, consolidation and improvement." Yet there persist a number of problems, particularly insufficient transport capacity, tight supplies of energy and some raw materials, our inability to meet the requirements for expanding production, unsatisfactory economic results, the failure of enterprises to resolve the problem of unmarketable industrial goods, increases in the volume of funds tied up by finished products, and our failure to ensure that supplies of marketable commodities keep pace with the rise in social purchasing power.

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CSO: 4006/592

PROVINCIAL AFFAIRS

CHONGQING CPC SECRETARY DISCUSSES URBAN REFORM

HK100819 Chongqing CHONGQING RIBAO in Chinese 20 Sep 85 p 1

[Article by Liao Bokang, secretary of Chongqing City CPC Committee: "Urban Reform Viewed From a City Undergoing Reform Experiment"--the article was first carried in JINGJI CENKAO [4842 3444 0639 5072] 13 September, p 6]

[Text] WITH UNCLOGGING THE CIRCULATION CHANNELS AND INVIGORATING ENTERPRISES AS THE KEY LINK, AND GIVING FULL PLAY TO THE MULTI-FUNCTIONAL ROLE OF CITIES AS THE MAIN DIRECTION, CHONGQING CITY HAS ACHIEVED REMARKABLE SUCCESSES IN URBAN REFORM. HENCE, IT IS NECESSARY TO STRENGTHEN THE WORK IN FINANCE, PRICING, PLANNING SYSTEMS AND STRUCTURAL REFORM, ECONOMIC LEGISLATION, AND QUALIFIED PERSONNEL, SO AS TO FURTHER DEVELOP THE URBAN REFORM IN DEPTH. [Capitals denote boldface as published]

Since January 1983, Chongqing has scored marked achievements in conducting experiments in overall reform and has attained better economic results in successive years. While conducting the experiment of overall reofrm of the economic structure, we further realized that urban reform is far more complicated and difficult than rural reform. Modern cities are centers for carrying out large-scale commodity production and exchange. The cycle of value and commodity flow, the collection and transmission of information, the establishment and operation of the management organs at all levels, and the positions and roles of qualified personnel are highly concentrated in the cities and their frequent activities are interactive.

With unclogging the circulation channels and invigorating enterprises as the key link, and giving full play to the multi-functional role of cities as the main direction, Chongqing has put an end to stagnation in its urban work by conducting the experiment of overall economic reform over the past 2 years, thus creating a scene of vigorous development. However, the further urban reform develops, the nearer we can get to the defects in the old system and the more we are involved in complicated problems. For example, to truly invigorate enterprises, it is obviously not enough to extend the decisionmaking power of enterprises as we did over the past 2 years. In order to

invigorate large enterprises, it is necessary to reform the existing finance, planning, and foreign trade systems. To develop urban reform in depth, we must comprehensively and profoundly carry out systematic and overall reforms in all fields as well as instituting reforms within enterprises. It is difficult to start urban reform, to say nothing of developing it in depth.

In our opinion, only by solving the following problems can we attain initial results in the overall reform:

First, the problem of finance. The key to truly invigorating and efficiently operating the socialist commodity economy in a benign cycle, lies in the problem of finance. The old system also had serious defects with regard to the problems of finance. By relying on administrative orders, the old system exercised excessive control while being incapable of administering the affairs it should have done. Thus, it could not meet the needs of invigorating enterprises and the urban and rural economy, and the needs of opening up to other parts of the country and the outside world.

Second, the problem of pricing. The reform of the pricing system is conditioned by the financial capacity of the state, social capacity, and the capacity of our economic work system. In the reform to lift price restrictions carried out over the past 2 years, Chongqing has further realized that the capacity of our economic work system has an important bearing on the success of the price reform. After lifting the price restrictions on pork and vegetables, Chongqing could have made a success of price reform given the conditions of ample supply of goods and dynamic scales in the market. However, when the reform started we soon made a mistake, which could have been avoided, by underestimating the problems in our capacity. Later, the problem was solved as a result of paying close attention to our capacity. In the reform of the price system, we must also conduct good ideological and organizational work and strive for steadiness and invigoration. Only in this way can we gradually straighten out the relations of prices.

Third, the reform of the planning system. While breaking with the two "big public pots," it is necessary to remove the "two barriers" (barriers between departments and between regions). In the operation of the national economy as a whole, the planning system should consciously meet the needs of the laws of value, the needs of opening up to other parts of the country and the outside world, and the needs of cooperation between different regions and enterprises in developing the socialist commodity economy. Under the new situation, it is necessary to master the skills of applying new means and methods; to devise overall planning; to make use of various economic levers and markets in an all-round manner; and rely on economic legislation to carry out indirect guidance planning.

Fourth, the problem of structural reform. Our existing management organs were established according to the viewpoint that production and all economic activities should be directly controlled by the organs of political power and every single matter must be approved by the organs at a higher level. As a result, the party and government organs undertook all the routine duties and administered the affairs of the enterprises and grassroots which they should not have done. As a matter of fact, structural reform should not simply be regarded as the dismantling of certain organs. It means simplifying the administrative structure and strengthening the think tank, economic legislation, and economic and public welfare supervisory systems. We must put an end to the practice of relying solely on administrative power to distribute and direct everything.

Fifth, the problem of economic legislation. From a long term point of view, we will have to rely on economic legislation to determine the relations of benefit and responsibility in the economic field and the operation of the economy. We must combine the research and building of the socialist legal system with economics. Only with perfect economic legislation and scientific and steady operation of the economy can we avoid endless disputes and flagrant interferences and enable our economy to develop in a healthy and sustained manner.

Sixth, the problem of qualified personnel. It is a matter of primary importance in urban reform to comprehensively implement the decisions of the CPC Central Committee on reform of the economic structure, education, and science and technology. We must use various forms and methods to train large numbers of qualified personnel; establish a full set of systems on assessments, rewards, punishment, promotions, training, selecting, and employing qualified personnel; give talented people the green light; and curb the practices of trying to gain success by sheer luck or playing tricks. Only in this way can we give full play to the role of large numbers of talented people. The experiments conducted over the past 2 years in overall reform have enabled us to understand that science and technology, as well as management, are both productive forces. Their role can be brought into play only when they are mastered and applied by man. Therefore, qualified personnel of various trades and professions are the most dynamic and realistic productive forces. Reform needs qualified personnel. In turn it also trains and selects qualified personnel. We must courageously eliminate all outdated ideas and boldly use qualified personnel who have real talent. We must also be resolute in removing the people who are incompetent. Unless we make a breakthrough in the problem of talented people, it will be impossible to carry out urban reform well.

China has great potential in urban and rural manpower and material resources. So long as the problems of qualified personnel, structural reform, improper operations, inefficiency, and appalling waste are solved and we can make the best possible use of men and materials, the wealth of our country will gush out like a spring.

PROVINCIAL AFFAIRS

RISING INCOME OUTPACES PRICE HIKES IN ZHEJIANG

OW191236 Beijing XINHUA in English 1211 GMT 19 Oct 85

[Text] Hangzhou, October 19 (XINHUA)--The living standards for the majority of the urban residents in Zhejiang Province are not affected by the new policy of allowing the selling prices of nonstaple foods to fluctuate.

The rise in their income has outpaced the price hikes, according to the provincial price bureau.

Increased productivity has resulted in higher wages, according to a bureau report to the provincial People's Congress Standing Committee. In addition, more people have jobs with expanding businesses and enterprises give each employee subsidies on a monthly basis to offset the price hikes.

The prices for grain and cooking oil has remained the same as before, the report said.

The average monthly income per employee was 68 yuan in coastal Zhejiang during the first six months of this year, 43.7 percent more than the same period last year. After deducting price factors, real income went up 27.3 percent.

Retail prices, however, was up 12.6 percent, according to the report. For Hangzhou, the figure was 16 percent.

Statistics since June are not yet available, but the bureau believed that prices are now stable.

The provincial statistical bureau reported that retail sales reached 8,760 million yuan in the first half of this year, up 32.6 percent over the same 1984 period, indicating continuous improvement in living standards.

But officials admitted that some middle-aged people with relatively low wages and more children were more likely to have complaints about the price hikes.

The Chinese Government announced at the beginning of this year a new program whereby the mandatory procurement of farm produce by the state was replaced by a system that allowed the peasants to sell their products at the market price after fulfilling their state contracts.

China instituted the mandatory procurement system during shortages in the 1950's, and abolished it for failing to offer incentives to farmers to increase output.

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PROVINCIAL AFFAIRS

DEREGULATION OF HOG PRICES DISCUSSED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 6, 1985 pp 26-27, 30

[Article by Wu Liangcan [0702 0081 3503]: "Price Reform--A Discussion of Issues Related to Deregulation of Hog Prices"]

[Text] A major reform of the agricultural product purchasing system is to eliminate assigned procurement of hogs and to follow the spot market. But will deregulating the hog marketing price bring about a price rise in turn? How can we effectively control the chain reaction? In this article I present my views on many questions such as these that are being discussed by people in the urban and rural areas.

I. Deregulation of Hog Prices Is Imperative

The hog centralized and assigned procurement system played an important role under the specific historical conditions of the past, but the disadvantages of this system became more and more prominent as a result of developing circumstances. One reason was that the assigned procurement price for hogs deviated seriously from value, which made it difficult for the peasants to be enthusiastic about raising hogs and engendered only a slow rate of increase in production. There were 7,614,400 head of hogs on hand in Fujian in 1984, which was only a 2.17-percent increase over 1983; the number slaughtered increased 1.42 percent and the slaughter rate remained static. The amount of pork consumed in 1984 averaged 34.76 jin per person, which was only a 1.6-percent increase over 1983. The intense contradiction between supply and demand forced prices of non-staple foodstuffs to rise year after year in the cities and towns. The 1982 retail price index of meat, poultry and eggs was 29.79 percent higher than in 1978, the negotiated sales price rose 9.5 percent, and the market price rose 12.48 percent. The rise in the list price and market negotiated price of pork continued in the first half of 1983 and 1984, and they gradually stabilized in the second half of the year. The increase from the beginning of this year to the present has been even greater; there was a 7.1-percent rise in January and February alone.

Another disadvantage of implementing the assigned procurement system for hogs was that the volume of financial subsidies became greater and greater as pork consumption increased. Since the state subsidy was more than 0.50 yuan per jin of pork consumed by the people residing in the cities and towns, the

amount of the province's finances that went to subsidize non-staple foodstuffs in 1983 was 4-fold greater than in 1978. Subsidies for pork alone amounted to more than 90 million yuan; based on the population of the cities and towns, this was a yearly subsidy of 27 yuan per person. The volume of subsidies continued to increase in 1984 and the financial burden grew heavier and heavier. Only by abolishing assigned procurement and consciously proceeding according to the law of value can we accelerate hog production, make prices relatively flexible while rationally guiding production and consumption, and maintain price stability and a balance between market supply and demand.

## II. Forecasting the Market Price Trend Following Hog Price Deregulation

There could be an initial rise in the market price of pork when hog prices are deregulated; the primary reasons for this are:

1. The assigned procurement price for hogs tended to be low over the long term, so naturally it could rise somewhat after deregulation due to the influence of the law of value. The livehog assigned procurement price in the province since April 1974 was 62.11 yuan per hundred jin for young hogs (class 3 young hogs), which is quite a bit lower than the market price level of 95 to 100 yuan per hundred jin. Even adding on the piglet subsidy and award grain price differences after 1982, the actual purchase price was only 82 yuan. For various reasons, the cost of raising hogs has continually increased in recent years while there has been no corresponding rise in the marketing price, and the purchase price currently in effect is barely sufficient to pay material expenses. According to survey data on average costs in the major production areas provincewide for the 5-year period 1979 to 1983, the material costs for livehog production in Fujian amounted to 77.46 yuan per 100 jin, with 17.25 man-days in labor; calculated according to the unified 1.50 yuan per day of labor value (which is lower still than the average social wage level for the province) there are 103.34 yuan in costs tied up in each dan of liveweight. Based on this, the sales price of pork (all meat cuts inclusive) should be on the order of 155 to 160 yuan. Furthermore, in terms of comparable prices, the hog to grain price ratio in Fujian has not been rational. Both times that hog and grain prices were restructured after liberation, grain prices were raised higher than young-hog prices. Paddy rice prices were raised 75 percent from 1959 to 1979 while hog prices were raised only 60 percent. Prices were restructured in 1981; paddy prices were raised 21.4 percent and young-hog prices were raised only 17.3 percent. At the same time, the peasants sold more and more grain to the state at the above-quota added price, there was an increase in the above-quota added price ratio, and the real purchase price average grew higher and higher. Although the awards and price subsidies for livehog purchases also increased somewhat, the real income for the peasants from raising hogs still could not compare with that for growing grain, and was even lower compared to incomes from producing other farm products or from engaging in industrial and sideline production. It could therefore be said that a certain price increase following hog price deregulation, as opposed to former hog price subsidies which deviated from value, was an unavoidable phenomenon in the restructuring and enlivening process.

2. The government adopted administrative measures in the past to interfere with pork sales prices, the Ministry of Finance implemented extraprice subsidies and the market price was relatively low. Following deregulation of the livehog marketing price and elimination of financial subsidies, the state-operated foodstuff departments will no longer supply par value pork, and the market price and negotiated price inevitably will rise somewhat higher than previously.

3. Per-capita meat levels in Fujian in recent years have been some of the highest in the nation. Demand is still expanding continuously at the present time, but because the growth rate in hog production cannot keep pace with the increase in demand, every year 700,000 to 800,000 head of hog must be brought in from outside the province. Such a contradiction between supply and demand is difficult to balance in the short term, and it inevitably will lead to a rise in hog prices.

4. After implementing the "reversed 3:7"-ratio planned price for grain, there will be a 9.3-percent increase in the real purchase price per dan of paddy in the province on the average compared to 1984. After putting the grain price in order, the sales price of feed grain will increase 35 percent over the one currently in effect and production costs will rise, which will lead to a rise in pork prices.

However, the extent of the rise in the livehog market price cannot be too great because it will be restricted by several factors.

First, deregulating hog prices will help expand production and the peasants will be more enthusiastic about raising hogs, so after one or two production cycles there will be a large increase in the amount of pork supplies available. The situation in Fujian is such that the potential for expanding hog production is considerable. At the present time there is only an average of 0.12 head of hog per mu in the mountain areas of northern Fujian; the average is 2.5-fold greater in southern Fujian where there is a lack of grain. If the level of hog production in the north could catch up to that in the south, then Jianyang Prefecture alone could supply an additional 1.2 million-plus head of big porkers.

Second, utilizing compound feeds and feed additives will bring about a large decrease in hog-raising costs. Young hog costs are currently as high as 100 yuan per 100 jin, mainly because hog-raising methods are primitive and both the slaughter ratio and the grain conversion ratio are low; it takes 16 to 17 months on the average to raise a hog. Utilizing compound feeds to raise hogs offers a breakthrough for expanding animal husbandry in the province at the present time, and it is only a matter of time before they are in general use. Compound feeds cut down on the hog-raising period; only about a half a year is required to raise a hog on the average, and since the feed conversion ratio is high, costs could quickly be reduced.

Third, an increase in available supplies of poultry, eggs and milk could slow the rate of increase in pork consumption. The poultry-raising cycle is short, meat output is comparatively high, the feed return is high, it is suitable for



mechanized breeding, and it can expand greatly in the short term, which can mitigate the meat supply and demand contradiction and play a large role in keeping down the price of pork.

Fourth, although the people's standard of living is improving rapidly at the present time, income and consumption levels both are still at a relatively low stage throughout society. Consumption could be limited if market prices are too high, and this also is decisive in keeping the market price of meat from getting excessively high in the province.

The net result of the influencing factors mentioned above is that the pork sales price in Fujian will rise to about 160 yuan per 100 jin and stabilize at 155-165 yuan. After a period of time (one or two production cycles) the price will fall off somewhat, but the drop will not be too great. Because of the rising standard of living and the consumption habits of the residents, the price difference between lean and fat pork, and between fresh and frozen pork, will expand from now on and the lean pork price may be 50 to 100 percent higher than other meats.

### III. Successfully Controlling the Chain Reaction

As of the present, hog prices have been deregulated in 36 counties (cities) in Fujian. The situation in each locality after deregulation is fine: 1) there has been an increase in the amount of pork put on the market, the market price has been basically stable and the rise has not been very extensive; 2) after the price went up there was an increase in peasant incomes, which promoted expansion of the hog-raising industry; 3) implementing multi-channeled operations promoted competition, raised the quality of services of state-run commercial enterprises, and eliminated such unhealthy tendencies as "entering by the back door"; 4) the state changed the city and town residents' meat eating from "hidden nourishment" to "open nourishment," brought genuine material benefit to the consumer, helped both to put meat prices in order and to bring stability and solidarity, and guaranteed that reform would be carried out smoothly. Judging from the practice of the various localities, the key to deregulation of hog prices is to make ample preparations and successfully control the chain reaction. The major steps are:

1. Prior to deregulating hog prices, food management departments must have adequate resources to ensure supplies; state-run units must actively participate in negotiated purchases and sales, keep down meat prices in the marketplace, and ensure that they do not get out of control.
2. Select an opportune time for deregulation. For the large and mid-sized cities and major industrial and mining regions it would be best if we chose the peak hog production season of May and June, when available supplies are plentiful and the weather is getting hot; it will be somewhat easier to balance supply and demand when there is a drop in the amount of meat consumed by the masses.
3. Before the wage system is restructured, consumers must be given an appropriate subsidy which will ensure that their real standard of living will not drop because of deregulating hog prices.

4. Do a good job of actively organizing hog production, support the feed industry, devote major efforts to developing compound feeds and employ scientific methods to raise the conversion ratio for greenfeed and coarse fodder; these are the basic measures for guaranteeing stable meat prices in the marketplace.

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PROVINCIAL AFFAIRS

NIGHT MARKETS ATTRACTION IN SCENIC GUILIN

OW191422 Beijing XINHUA in English 1322 GMT 19 Oct 85

[Text] Nanning, October 19 (XINHUA)--Night markets are an attraction at the scenic city of Guilin in the Guangxi Zhuang Autonomous Region.

After sight-seeing picturesque mountains and rivers in the daytime, Chinese and foreign tourists stroll in two's and three's through the city's night markets, shopping and tasting local dishes.

Over the past few years, the city supported self-employed households to run night markets by designating them grounds.

An average of 60 households has opened a night business every month since the second half of 1984 and the number is now over 1,000, according to Xu Guolin, director of the city administration for industry and commerce.

The city designates areas for the night stalls which average between 10 and 20 yuan income every night. The most attractive place is the five-kilometer section from the city center to the south railway station. It has 50 stalls selling gold and silver ornaments, jade, art ceramics, bamboo and ivory carvings, lacquerware, embroidery, fans and other souvenirs.

In business areas, 200 restaurants serve dumplings and local dishes. Six boat-based restaurants serve dishes prepared with live fish and soft-shelled turtles caught in the Lijiang River.

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ECONOMIC MANAGEMENT

SHANGHAI MAKES PROGRESS WITH UN ASSISTANCE

OW191334 Beijing XINHUA in English 1305 GMT 19 Oct 85

[Text] Shanghai, October 19 (XINHUA)--Some 70 percent of the 1.2 million tons of coal dust produced annually by the use of coal for fuel in Shanghai is now being processed into building bricks.

With the help of the United Nations Development Programme (UNDP), the city has carried out the conversion project smoothly since it went into effect in 1983, an official said.

Now coal dust is no longer the city's environmental pollutant but the material for bricks. About 2.5 million square meters of residences in Shanghai have been built with this kind of brick.

Two other projects with the UNDP's help have also been put into effect: "The Shanghai Leather Technology Center" and the "East China Testing Technical Service Center."

Since 1980, the UNDP, the United Nations Fund for Population Activities, the United Nations Children's Fund and other U.N. units have aided Shanghai in 24 projects with a total of about 14 million U.S. dollars.

All these projects will be completed by the end of the year, as planned, the official said.

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## FINANCE AND BANKING

### METHODS OF STOCK ISSUANCE UNDER SOCIALISM DISCUSSED

Guangzhou GUANGZHOU YANJIU [STUDIES ON GUANGZHOU] in Chinese No 2, 1985 pp 4-7

[Article by Li Kehua [2621 0344 5478] of the Economic Research Department of the Guangdong Provincial Social Science Institute, and Liu Chunqi [0491 2504 4388] of the Guangdong Provincial Finance and Economics Institute: "An Exploration of the Issue of Funding Through Stock Issuance Under Socialism"]

[Text] Editor's note: The practice of funding through stock issuance is an inevitable outcome of the development of a commodity economy. It is a category of history. Only when the state bank is able to satisfy the demand of production development for funds in an all-round way and when the state is able to exercise total planned control and regulation over the production of products, will this category of economy step down from the stage of history. The practice of issuing stocks to raise funds for enterprises is totally applicable to socialist countries. It plays a positive role in accelerating production, facilitating circulation, invigorating the economy, and promoting reform. As a special category of planned socialist commodity economy, however, it is essentially different from capitalist stock issuance. The author proposes some ideas concerning opening--on a trial basis--stock markets and exchanges in a planned manner. [End of editor's note]

At present, an upsurge of stock and bond issuance has emerged in society to raise funds for economic construction. This has attracted considerable attention at home and abroad. How should we understand this economic method of funding? How many methods are now being explored out in society? What functions do they have? What questions deserve our attention? These questions will be discussed in some depth in this article.

#### I

Stocks are a kind of certificate issued by joint-stock companies when raising funds. They are a kind of negotiable securities circulated on the money market. Stockholders may draw dividends regularly from joint-stock companies according to the face value of their stocks. Dividends are secured but capital is not. Stockholders cannot return their shares, but they can sell them or use them as pledges. Stocks are the certificate of the ownership of



money paid for shares. This is an understanding of stocks in the original sense. How then should we view stocks under socialist conditions?

A. Raising funds through stock issuance is not a special category of economy for the free commodity economy of capitalism. Instead, it is a common category of economy for the commodity economy. The appearance and development of stocks are not determined by the production relations of capitalism but by the law of the commodity and currency economy. "If we had to wait for individual funds to accumulate to an extent to be able to build railways, today there would be no railways in the world. But, through joint-stock companies, the job will be done in no time." Because of this, as early as early 1920s the Soviet Union, under the leadership of Lenin, already established some joint-stock companies, such as industrial and commercial, transportation and credit stock companies. In recent years, some socialist countries such as Romania, Hungary and Yugoslavia also issued stocks and encouraged individuals to invest in and become shareholders of collective and state enterprises. Three banks, some large enterprises, and production cooperatives in Hungary recently issued stocks for the first time for a company jointly established by them. The highest dividend reached 40,000 forints. At the end of 1982, Romania passed a "law on individuals becoming shareholders" to encourage individuals to buy shares from enterprises. Practice has proved that the practice of issuing stocks to raise funds for enterprises is totally applicable also in socialist countries.

B. Although stocks are a general category of the commodity economy, it has different natures under different conditions of ownership. As a common category of the commodity economy, there is no difference between socialist and capitalist stocks. They both represent a kind of certificate for the money paid for shares. As a special category of planned socialist commodity economy, stock issuance is essentially different from capitalist stock issuance. First of all, the objectives are different. The basic objective of capitalist stock issuance and fund raising is to rake in more surplus value while that of socialist stock issuance and fund raising is to satisfy to the greatest extent the ever-increasing material and cultural needs of the people. Second, the sense of security is different. Capitalist stocks are very risky and those who are willing to take the risk may go bankrupt any time, whereas socialist stocks are accompanied by necessary measures to ensure that investors' interests are protected against encroachment. Third, means are different. Capitalists allow speculation in stocks while socialists forbid it. Fourth, results are different. Capitalist stock issuance helps capitalists rake in more surplus value, thus resulting in serious polarization while socialist stock issuance benefits investors to make them rich first and then help all people become rich by raising funds to expand socialist reproduction.

C. Under the socialist system, due to the existence of commodity currency, currency funds still are the motive force behind the continuous development of social production. Because funds are distributed and used in a broad areas, the situation is very complicated. Therefore, relying on state or local treasury departments alone in fund raising often causes the contradiction that construction funds are in great demand while large amounts of idle funds in society cannot be utilized. Judged by the situation of Guangdong and other areas where many enterprises have issued stocks and many enterprises and

individuals have rushed to buy shares, stock issuance is a good solution to this contradiction.

D. What is the nature of the ownership of current stocks? The following characteristics are significant:

1. Judged from the composition of stock funds, the nature of the dominant position of public ownership has not changed. According to the preliminary investigation of some joint-stock enterprises, there are generally three kinds of stockholders: (1) The state, representing all laboring people; (2) enterprises of public ownership, including state-owned enterprises and collective-owned enterprises, representing some laborers; and (3) individuals, which generally are socialist laborers. The Baoan County Joint Investment Co collected 5.081 million yuan during the first period of stock issuance. Of these stocks, 2 million yuan, or 39.36 percent, were purchased by the county government; 2.835 million, or 55.79 percent, were purchased by collective units; and 246,000 yuan, 4.84 percent, were purchased by individuals. This is a typical example. It shows that state and collective shares are greater than individual's and that public ownership obviously still occupies a dominant position.

2. From the standpoint of personal relationships, there is no conflict of interests between enterprise shareholders representing collectives and individual shareholders, demonstrating socialist unity and cooperative relations unlike capitalist enterprise shareholders who try to cheat or outwit one another.

3. Judged from the relations of distribution, the main principle of socialist distribution is to each according to his work, but there is another principle of distribution fixed according to the time value of funds, which is called the capital dividend sharing principle. The combination of these two principles is the overall principle of socialist distribution in the current stage. There are two kinds of dividends in stocks--capital and interest. Although stock interest is higher than the interest of bank deposits, it is essentially the same as bank interest. What is controversial is capital dividends. When the state invests in an enterprise, this enterprise has to deliver profits to the state according to a fixed percentage of returns on funds. When enterprises or individuals invest in an enterprise by becoming shareholders, the fund-raising enterprise should of course "deliver profits" to shareholders. In other words, they have to distribute dividends according to the capital of stocks. This is an issue of the time value of funds. Although this extra value is created by the surplus labor of workers, workers are still the master because stock-issuing enterprises are owned by the state or collectives. This is essentially different from capitalist society, where workers have nothing and have to sell their labor and offer surplus labor to capitalists.

## II

The main methods of funding through stock issuance in Guangdong Province are as follows:

1. Local fund raising through stock issuance. This method involves a relatively large scale, large amounts of funds and a variety of operations. For instance, the Guangdong Foshan Trust and Investment Co and the Baoan County Joint-Investment Co raised funds through the city and county governments which took the lead and acted as guarantors in stock issuance to areas under their jurisdiction.

2. Industrial fund raising through stock issuance. Under this method, specialized companies or enterprises themselves generally take the lead in fund raising. For instance, the Foshan City No 2 Cotton Mill mobilized staff members and workers to buy shares and solved the problem of funds needed for updating part of the equipment.

3. Enterprise-based fund raising through stock issuance. This belongs to joint-investment operation based on owners' equity. It has the nature of a joint-stock company. Generally it is initiated jointly by several enterprises. For instance, the Shenzhen Sanhe Co, Ltd, was jointly established by six state enterprises which acted as six shareholders and invested a total of 10 million yuan of capital in stocks.

4. Fund raising through joining stocks of producers. This situation is more common among specialized and major households in rural areas and among new integrated economic bodies in urban areas. Generally, they cooperate in the fields of labor, technology and funds and provide developmental production and technology services. For instance, 580 overseas Chinese and their families in Yuexiu District of Guangzhou City raised 3.5 million yuan by joining stocks and established the Qiaorun Co, Ltd, engaging in the chemical, light and building material industries and offering business consultation services.

5. Stock issuance and fund raising through banks. This is suitable for establishing larger businesses. For instance, Guangzhou is planning to establish a commercial center. Through banks, it issued stocks and raised 10 million yuan in just over a month.

The application of these methods is not absolute. Sometimes, part of each will be applied; or, two methods will be applied at the same time. Along with popularization of funding through stock issuance, more methods are bound to appear.

Funding through stock issuance plays a positive role in accelerating production, unclogging circulation, invigorating the economy and promoting reforms.

1. Stock issuance can quickly transfer large amounts of funds from outside to within the production process to form new productive forces, promote local and enterprise production and construction, and help the state concentrate financial resources to do a good job in major construction projects of macroeconomic significance. Stock issuance can also convert part of the cash in the hands of urban and rural residents to accumulation funds. The Foshan City Trust and Investment Co used almost all of the funds it raised on the development of urban economy and public utilities such as increasing power and urban water supply, developing city overpass highways, building commodity

houses, and so on, bringing benefits to both the state and the people. At the same time, stock issuance is also conducive to absorbing foreign capital. As is clear to all of us, when capitalists invest in foreign countries, they always look for an investment place where there is little risk involved, capital can be transferred in and out quickly and freely, and they can gain large amounts of profits. Stock issuance meets exactly all the demands of foreign investors. To expand fund-raising scope, the Shenzhen Sanhe Co, Ltd, issued stocks to Hong Kong, Macao and foreign countries and attracted many people to buy their stocks, thus greatly accelerating the utilization of foreign capital.

2. Funding through stock issuance has accelerated the reform of the economic structure and the development of the commodity economy. First of all, it has promoted the reform of the financial system, especially the banking system. The development of commodity production demands that banks, credit funds and markets be readjusted accordingly and that the ownership and use right of funds be separated so as to make funds transferable and more like negotiable securities. Banks' monopoly in fund raising can cause the overcentralization of credit funds which will inevitably create difficulties in circulation and adversely affect the rapid development of economic construction. Only by adopting multiple methods of fund raising can the economy be invigorated. As we all know, stocks have such advantages as being very flexible, easily transferable and highly competitive. They can help quickly raise large amounts of funds to be used flexibly on industries which yield great economic results. Because of this, banks will compete for stocks and, in order to exercise their functions under the new situation, will have to carry out reforms to enable the economic lever of bank credit to render better service for economic development.

Second, raising funds through stock issuance is an important way to effectively remove the obstacles in currency circulation and revitalize the distribution and redistribution of currency funds. The situation of local economic development indicates that large amounts of funds are needed in local areas, but idle social funds scattered in rural and urban areas cannot be effectively centralized. Stocks can break the barriers created by the two channels of state financial departments and banks in fund raising and distribution, raise funds through multiple methods and channels, and play a role that cannot be played by state financial departments and banks. Because of this, it can also accelerate the reform of the banking and financial systems.

3. Funding through stock issuance can facilitate the technological transformation and improve the quality of enterprises. Enterprises need large amounts of funds for technological transformation, but because more often than not the funds they can set aside for such purposes are very limited and the quota of bank loans is inadequate, fund shortages have become a problem in the technological transformation and further production development of enterprises. Issuing stocks to staff members and workers to raise funds can help enterprises start technological transformation projects as soon as possible and speed up the progress of enterprises technological transformation.



4. Joint-stock enterprises can organically combine the interests of the state, collectives and individuals and therefore are conducive to arousing the people's enthusiasm for building socialism. They are also conducive to improving economic results and handling well the relations of material interests among the state, collective and individual stockholders. First of all, because joint-stock enterprises are limited-liability companies and a new type of economic entity which invite personages from all walks of life to become shareholders, as the shareholders of an enterprise, investors very naturally link their interests closely to the enterprise's and are directly concerned with the success and failure of the enterprise's operations. Because of this, shareholders will feel more concern and love for their enterprise. This is conducive to the implementation of economic responsibility systems in enterprises and can facilitate democratic management. Second, funds raised by joint-stock companies are mainly used on major state development projects and social and public undertakings which generally have a bright future and will yield great economic and social returns if managed properly. This will not only benefit shareholders and the enterprises, but also the state and the whole society.

In addition, funding through stock issuance is conducive to employment and providing opportunities for surplus rural labor.

### III

Since the practice of raising funds in the form of stocks is a new thing which came into being only in recent years, there are bound to be many problems. We should vigorously support the growth of this new entity with a scientific attitude and a bold spirit of practice.

First, we should clarify ideological confusion. At present, there are different theories about the issue of funding through stock issuance. Among them are the "enterprise nature will change" theory, the "bank savings will be affected" theory, the "state tax and profit income will decline" theory and the "reap without sowing" theory. From above discussion, we can see clearly that these theories are all wrong. It is necessary for us to further clarify these ideological confusion and vigorously support the growth of funding through stock issuance.

Second, we should strengthen control and exercise vigorous guidance. Raising funds through stock issuance is economic conduct; therefore, it is imperative to strengthen planned guidance and control to avoid blindly expanding the scale of capital construction, reducing the economic results of investment and adversely affecting the overall balance of the national economy. All localities should have a unified guiding plan for fund raising activities. The orientation and focus of investment should be determined according to the situation as a whole and through overall balancing to avoid overlapping in the construction of factories and blindness in investment. Investment projects which involve large amounts of funds and are funded through stock issuance should be approved by local departments concerned so that their operations will be included in planning and in line with the demands of the state macroeconomy. Funds raised through stock issuance must be guaranteed best economic results. Full feasibility studies must be carried out before



investment so that funds will be invested in businesses achieving high economic results.

Third, we should perfect the legal system and act according to law. On the one hand, the position and responsibility of socialist joint-stock enterprises as economic corporations must be determined through state laws. On the other hand, through the formulation of laws concerning companies, procedures of becoming stockholders and instruments, the state should clearly determine in the form of law the scope, methods and time period of stock issuance as well as concrete policy boundaries. Government registration organs should exercise according to law strict administrative control and supervision over fund raising through stock issuance. Before pertinent laws are promulgated, provincial, municipal and autonomous regional governments may be allowed to issue provisional rules and regulations as interim measures for the formulation of complete laws on stock issuance.

Fourth, we should open on a trial basis stock markets and exchanges on the prerequisite that they are guided by state plan and that conditions are ripe. This can increase the fluidity of stocks by providing stockholders a place to sell and buy stocks when they want to transfer the possession of stocks or use them as pledges. This is conducive to the development of stock business because it is the only way to prevent investors' money being tied up. This is not impossible under socialism. The key is whether conditions are ripe. For the purpose of improving the efficiency of fund utilization, banks may take part in stock exchange and accept stocks as securities for the payments of goods. At present, certain discrepancies exist in stocks and bonds issued by different areas, and the capital and credit ratings of different enterprises are different; therefore, conditions for opening stock markets in an all-round way are not quite ripe. In order for stockholders to regulate funds, as an interim measure, the trust departments of banks may act as the middleman of such trade so that stocks will be circulated. Cities where relatively large amounts of stocks have been issued may carry out repeated studies and cautiously open stock markets on a trial basis to allow free transfer of stocks within a limited scope. For instance, three companies in the Shenzhen SEZ have already issued stocks. Judged from the external conditions of stock issuance and exchange in the SEZ (the money reserves of stock marketing areas, the idle funds of society, the people's interest in investment, the interest rates of bank savings deposits and the timing of issuance) as well as the internal conditions (the commercial reputation and funds of stock issuers, their ability to repay loans and the prospects of development for their companies), conditions are basically ripe in the SEZ. Therefore, it may become the first area in which to open stock markets.

Buying and selling stocks may cause stock prices to change constantly and result in speculation as an objective consequence. To prevent speculation in stock exchange, we need to strengthen social supervision over stock exchange and formulate appropriate rules and regulations forbidding the use of futures and credit in stock exchange so as to make it easier for the state to exercise overall guidance and command.

Fifth, there should be rational stipulations concerning the number and amount of stocks to be issued as well as their interest and dividends. Enterprises funded through stock issuance must determine the amount of stocks to be issued in accordance with their production and operational situations and avoid blindness in fund raising. The face value of each stock, the number of stocks to be issued, and the amount of each share may be determined in accordance with the actual conditions and needs of enterprises. Excessively high interest rates will increase the burden on the company. If they are too low, this will dampen the enthusiasm of investors. Therefore, generally speaking, it is better for stock interest rates to be slightly higher than bank interest rates. As for dividends, they can be fixed according to the amount of profits made by the enterprise. Some enterprises guarantee both the capital and interest of their stocks. We think this practice is open to question. Shareholders should also bear a certain amount of investment risk. This practice of guaranteeing both the capital and interests of stocks has the following defects: (1) It violates objective economic laws and fails to conform to the meaning of the word stock. (2) Because investors do not have to take any risk, they are not concerned about profits and losses or the economic results of their enterprise; therefore, it is not conducive to democratic management of enterprises and the improvement of economic results. (3) In case of a loss, the government, the supporter of the company, will have to provide compensation. This sounds very much like eating from the "same big pot" of the state and therefore is not in line with the orientation of the current reform of the economic structure. Of course, it is all right for the government to provide economic guarantee for enterprises issuing stocks for the first time. But this practice should be temporary. It must not continue forever.

Sixth, what are the prospects for the method of funding through stock issuance? This method is an inevitable product of the development of the commodity economy. It is a category of history. Only when the state bank has sufficient funds to satisfy the needs of production development in an all-round way and the state is able to exercise total planned control and regulation over production will this category of economy step down from the stage of history.

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## FINANCE AND BANKING

### HOG PRICE REFORM PROGRESSES SMOOTHLY

Beijing JINGJI RIBAO in Chinese 20 Sep 85 p 1

[Article by Xie Zhenjiang [6200 6966 3068]: "Reform To Lift Control of Hog Prices Progresses Smoothly; Amount On Hand Increases, Supply Normal, Prices Steady, and Both Producers and Consumers Are Relatively Satisfied"]

[Text] One main part of our country's price reform this year--the readjusting of marketing policy on hogs and hog prices had a smooth start and both production and marketing of hogs there is now a good trend, with the market supply basically normal and prices steady. The reform has brought relative satisfaction to both producers and consumers.

The government decided to readjust the marketing policy on hogs and hog prices at the beginning of this year. Because of appropriate preparation and good timing, this reform is progressing relatively smoothly. By July 1, the previous policy to assign hog purchasing quotas to different places had been completely revoked and replaced by negotiated pricing under guidance. Previous control over hog prices were completely lifted. Local governments began to use the law of value to adjust the relationship between production, supply and market, which has made price relations between hogs and grain more rational and brought material benefit to the peasants. Thus in return peasants became more enthusiastic about raising hogs. The abnormal situation of recent years in which grain production kept going up but hog raising developed very slowly has been changed. According to statistics issued by the State Statistical Bureau, by the end of June this year, the number of hogs on hand had reached 322 million, a 7.1 percent increase over the same period of last year. Among the total were more than 23.8 million farrowing sows, an 8.3 percent increase over the same period of last year, showing an increased proportion of sows. In the first half of this year, the rate of marketable pigs increased to 36.1 percent from 34.8 percent during the same period of last year; and the national total output of pork reached 14.7 billion jin, a 14.7 percent increase over the same period of last year.

After the control over hog prices was lifted, the multichannel marketing of hogs has been very lively in all parts of the country and collective and individual marketers mushroomed. According to statistics gathered about 206 rural markets and 70 urban markets throughout the country, in the first half of this year, the volume of port transactions reached 285 million jin, an

increase of 76.3 percent over the same period of last year, of which 32.4 percent was in the countryside and 95 percent in the cities. Following the gradual smoothing out of marketing prices and price differences in line with quality, state-run commercial organizations further transformed their management guidelines, style and methods, and actively developed various kinds of horizontal connections. Many foodstuff companies and joint meat-processing factories actively expanded direct linkage between producers and marketers, increased the proportion of fresh pork in the market, and widely practiced the new method of selling hog parts and selling fat and lean parts separately, basically meeting the needs of different customers.

After the control over hog prices was lifted, basically there have not been sudden fluctuations in prices. The average prices in different parts of the country indicate that the current purchasing price for every hundred jin of hog by state-run commercial organizations is 3 yuan lower than the governmental guiding price and the actual selling price is approximately 5 yuan lower than the governmental guiding price. Meanwhile, starting from June, state-run foodstuff companies' losses decreased sharply. From June to August, the total losses of the country's foodstuff companies decreased 198 million yuan over the same period of last year, a decrease of 77.4 percent.

A leading cadre of the relevant department under the Ministry of Commerce pointed out that there are still some areas where there have been problems of fewer hogs on hand, tight hog supplies and rising marketing prices, and especially that the effect of the reform has not yet been tested by the busy season of this winter and next spring. Local governments and departments concerned must further strengthen their leadership of the reform, carry out the purchases well, actively organize regulation and adjustment between busy and slack seasons and between oversupplied and undersupplied areas and arrange market supply well so as to add glory to our country's economic system reform.

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FINANCE AND BANKING

BRIEFS

JIANGSU TAX FRAUD--During the first 6 months of this year, tax departments at all levels in Jiangsu have examined tax payments of 99,000 enterprises and self-employed businesses in the province, and found that, in one way or another, over 64,000 of them had evaded paying taxes amounting to more than 64 million yuan. Their methods of evading taxes included exaggerating costs, hiding profits and other income, and other fraud. By the end of June, the tax departments had already recovered over 49 million yuan in unpaid taxes. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 9 Sep 85]

SHANGHAI CURRENCY WITHDRAWAL--Shanghai, 12 Sep (XINHUA)--By the end of August, Shanghai banks had withdrawn some 2.12 billion yuan worth of currency from circulation, an increase of 78.6 percent over the same period last year, and prefulfilling this year's target by 4 months. In the first 8 months of this year, the municipal income from commodity sales rose by 48.3 percent over the same period last year; noncommodity cash inflow from such sectors as service, tourism, and cultural activities also grew by 40 percent. The total volume of the municipality's personal saving deposits now stands at 6,779 million yuan, an increase of 1.169 million yuan over the beginning of this year. [Text] [Beijing XINHUA Domestic Service in Chinese 1143 GMT 12 Sep 85]

SHANGHAI PERSONAL INCOME TAX--Shanghai, 13 Sep (XINHUA)--Personal income tax collected in Shanghai in the first 8 months of this year is 6 times higher than in the same period last year. Tax collection from earnings in stock dividends and bonuses accounts for 43.3 percent of the total personal income tax revenue, while that from rent earnings accounts for 14.4 percent. [Summary] [Beijing XINHUA Domestic Service in Chinese 0125 GMT 13 Sep 85]

XINJIANG COMMEMORATIVE COINS--Beijing, 26 Sep (XINHUA)--The People's Bank of China will issue a limited number of commemorative nickel and silver coins on 1 October to celebrate the 30th anniversary of the founding of the Xinjiang Uygur Autonomous Region. The coins are in the denomination of 1 yuan for the nickel and 10 yuan for the silver. [Summary] [Beijing XINHUA Domestic Service in Chinese 0746 GMT 26 Sep 85]



**NATIONAL TAX COLLECTION**--According to a responsible person of the Ministry of Finance, China's reform of the taxation system proceeds smoothly. Adjustment of rates on commodity taxes, creation of natural resources taxes, and urban maintenance and construction taxes have ensured the steady growth of the state's revenue. Taxes collected in the January-August period this year totaled 125 billion yuan. It is expected that the tax revenue for the whole year will exceed by 12 billion yuan as projected. [Summary] [Beijing XINHUA Domestic Service in Chinese 0013 GMT 29 Sep 85]

**AGRICULTURAL BANK TO ISSUE BONDS**--In order to support the rapid completion and commission of some rural and small town industrial projects that have promising economic results and will produce some products urgently needed by society, and guide some consumption funds to be transformed into production funds to raise the utilization benefit of social funds, the Agricultural Bank of China will issue 1.5 billion yuan worth of banking bonds scheduled for the year of 1985. The batch of bonds to be issued by the Agricultural Bank will be issued to individuals in both urban and rural areas by branch banks according to business scope. These bonds will be divided into three denominations: 20, 50 and 100 yuan. The time limit will be 1 year and the annual interest 9 percent, and when bonds mature, bondholders will be paid back the principle plus interest. Bondholders will not be allowed to circulate, transfer or use the bonds as a pledge. Interest will not be calculated beyond the time limit. The bonds can only be cashed at the banks where they are issued. [Text] [Beijing ZHUANYEHU JINGYINGBAO in Chinese 24 Aug 85 p 1] 12974/12948

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## CONSTRUCTION

### WUHAN BUILDING MORE COMMERCIALIZED HOUSES

Wuhan CHANGJIANG RIBAO in Chinese 19 Jul 85 p 1

[Article: "Wuhan City Has Completed Commercialized Houses Totaling 280,000 Square Meters in Floorspace in 2 Years--Construction of Small Areas Progresses Rapidly and Quality of Houses Improves Markedly"]

[Text] By adopting the policy of "walking on two legs," the Wuhan unified housing construction office has achieved marked results in building new houses under a unified plan for unified distribution and at the same putting up commercialized houses. In more than 2 years up to the present, they have gathered more than 90,000 million yuan in funds from the public and the commercialized houses already completed or now under construction cover a total floorspace of more than 280,000 square meters.

The Wuhan unified housing construction office was established in 1978; at that time, its task was to organize construction according to the housing construction target handed down by the state each year and with the special funds allocated. However, after 1981, this type of target gradually diminished. With the concurrence of the municipal people's government, they began to undertake the tasks of building and selling commercialized houses starting in 1983 so that while fulfilling the capital construction targets handed down by the state they can also let the local enterprises and business units actively solve the housing problem by relying on their own strength.

More than 2 years of experience has demonstrated that this way of doing things has achieved the expected results. A comparison with the past shows three noticeable changes: 1. The area of housing construction has expanded. According to statistics, while the housing construction undertaken by this office each year between 1978 and 1982 covered a floor space of just over 120,000 square meters under the unified plan, in 1983, the average annual housing construction covered a floorspace of about 150,000 square meters. 2. The newly built small areas are taking shape at a faster rate. Due to investment restrictions in the past, some small areas had difficulties in taking shape and residents could not move in for a long time because other installations for some of the houses completed had lagged behind. Houses can now be built faster because funds gathered from the public are based on the size of the small areas to be completed at one time. 3. The quality

of houses has improved. In the past, the exterior of the houses built in several small areas was whitewashed with cement and people who moved in had to install water and electric meters themselves. Now, the exterior of the commercialized houses is decorated with relatively high-grade polished granite and the floors of indoor rooms and the walls of toilets are painted. All the people who move in have to do is just to turn on the faucet and the switch.

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CONSTRUCTION

GUAN GUANGFU DISCUSSES PLANS FOR BUILDING UP WUHAN CITY

Wuhan CHANGJIANG RILAO in Chinese 20 Jul 85 pp 1-2

[Article: "Build a Multi-functional Hinterland Economic Center and Give Play to the Role of Large City as a Provincial Capital"--Comrade Guan Guangfu Speaks at a Meeting of Responsible Party and Government Cadres in Wuhan City Fully Affirming Achievements Made in Comprehensive Reform of Economic Structure in Wuhan City, Probing Several Fundamental Questions Regarding Wuhan's Strategic Position and Its Multi-functional Role and Putting Forward New Demands on Reform Tasks in Future; Comrade Wang Qun Speaks at the Meeting Calling on Party Committees at All Levels and the Broad Masses of Cadres and People To Continually Deepen the Reform in Concerted Efforts and Live up to the Expectations of the CPC Central Committee and the Provincial Party Committee]

[Text] Recently, provincial party secretary Guan Guangfu [7070 1639 1381] conducted an investigation in Wuhan City which lasted 12 days. On 16 July, he said at a meeting of responsible party and government cadres of Wuhan City that the whole province and the whole country are following with interest the reform of economic structure in Wuhan City. While noticeable results have been achieved in the initial stage, the burden is heavy and the road is long from now on. We should resolutely fulfill the common task of urban reform, go a step further in seeking a new road to build a multi-functional hinterland economic center and give play to the role of the provincial capital which is a large city and contribute to promoting economic development in Hubei Province and the hinterland.

When he was in Wuhan conducting the investigation, Comrade Guan Guangfu heard reports by the Wuhan Municipal CPC Committee and the municipal government and other pertinent commissions, departments and bureaus. He also held symposia with some of the enterprise cadres and inspected certain construction projects of enterprises and municipal works. His impression of the comprehensive reform in Wuhan City was that tremendous progress was made in a short time and also that penetrating development was reported in certain spheres and fields. He said: The reform over the past year has brought further changes and a new outlook to Wuhan City and gained some new experience. In short, the reform has widened the peoples' field of vision and enhanced their understanding of the planned commodity economy and the multi-functional role of cities by leaps and bounds; it has brought immense vigor to the provincial capital,

a large city; added new vitality to enterprises; made the market more prosperous and thriving with each passing day, and benefited the people with material benefits in the course of the reform. The major outline of the urban construction plan has taken shape, the construction of the principal infrastructure has started step by step; the appearance of the city has undergone some changes and further progress has been made in developing spiritual civilization. Results have begun to show in our efforts to invigorate the economy and promote economic development of an economic zone with Wuhan as the center. Economic results throughout the city have been notably improved thanks to the momentum of the reform and the positive feedback of the economic zone to Wuhan. The initial results achieved by Wuhan in the course of reform have vividly demonstrated that the strategic policy decision of the CPC Central Committee is a policy to rejuvenate the country. Comrade Ziyang's remarks about pinning hope on Wuhan and his important speech in Wuhan were words for rejuvenating the country. The CPC Central Committee's approval of the reports by the provincial CPC committee and the provincial government, providing an individual [or unitary] plan for Wuhan City and bestowing Hubei with top authority in economic management is an act to rejuvenate the country.

Comrade Guan Guangfu also probed into several fundamental issues in the reform of the urban economic structure in the light of the achievements made in the comprehensive reform of the economic structure in Wuhan City.

--Carrying reform by integrating with Wuhan's characteristics and creatively fulfilling the task of giving play to the multiple functions of the city. The common task of urban reform is to give play to the multiple functions of the city and advance the development of the socialist planned commodity economy. Only by integrating one's own characteristics in carrying out the reform can this common task be creatively fulfilled. This is an issue of a general and specific character that must be thoroughly grasped in the course of the reform; failing to grasp it, the general character will drift off its direction; neglecting it, the specific character will drift toward vague generalization. Wuhan City has two major characteristics: It is a key city in the hinterland of our country. It is also a large city where the provincial capital is situated. As a key city in the hinterland, it is different from a coastal key city and other key cities in the interior. This issue should be viewed from the high plane of the national and provincial strategic layout. Objectively, economic development nationwide has divided the country into the eastern, central and western economic zones with the more economically developed eastern part moving gradually toward the central and western parts as the situation warrants. Hubei is located in the central part of the eastern, central and western zones and is also situated at the juncture of north and south China. In the national economic layout, Hubei is a converging point forming a connecting link between the eastern and western parts and connecting the northern with the southern parts with Wuhan at the center of this converging point. In order for Hubei to play its role as the converging point which forms a connecting link between the eastern and western parts and the northern and southern parts, it is necessary first of all to give play to Wuhan's role as an economic center in this converging point. It is of great significance in realizing the tentative strategic plan of developing the national economy to build Wuhan step by step into a multifunctional



economic center in the hinterland of our country by proceeding from this strategic position. In this way, the provincial capital as a large city will make new advances both intensively and extensively in playing its economic role under the new situation. The reform in Wuhan City is being carried out without changing its relationship with the province as a city subordinate to the province. It has to adopt unitary planning to exercise the city's positive factors and also calls for economic integration to develop the urban and rural economy in a coordinated way. This is an important development of the economic structural reform which seeks to solving such issues as horizontal economic relations, giving more vitality to the city and bringing the urban and rural economy into line by means of changing the economic management system instead of by simply changing the administrative division. The development of Wuhan is inseparable from the development of the economy in Hubei's vast countryside and the economy in its other cities and Wuhan's development will definitely promote the economy throughout the province to a large extent and also play a leading role in some areas. This new-type urban-rural relationship represents also a new creation in the modality of building a socialist economy with Chinese characteristics.

--In urban reform, it is necessary to grasp the core of this economic modality with Chinese characteristics in developing a planned commodity economy. The prerequisite for developing a planned commodity economy is by opening wide the city gate, breaking down the regional economic blockade and developing horizontal economic relations; the factors for invigorating circulation is by opening the market and smashing the old system of unified purchase and exclusive marketing; the key to the success or failure in developing a planned commodity economy lies in liberalizing prices step by step, implementing the policy of gradual but steady relaxation and readjustment, bringing price relationships into better balance, seizing opportunities and advancing steadily. The basis of developing the commodity economy is improving the quality of economic work as a whole with emphasis on the quality of industrial products and on enhancing the vitality and strength of enterprises so that industries can survive and develop in competition. The reform in Wuhan took off at this high point, but of course further efforts should be made to consolidate its position so that it can develop in depth.

--To develop the multiple functions of the city, it is imperative to carry out construction in a coordinated and well-organized way. A city with comprehensive functions should have inherent vitality, radiating power and appeal. Inherent vitality is the source of radiating power and the core of appeal; the forming of the inherent vitality and the magnitude of the radiating power and appeal depend much on the building and development of the comprehensive functions. To mold comprehensive functions, we should have a commodity production base, several centers, such as a trade center, a communications center, an information center, a financial center, a scientific and technological center and an education center and several markets, a commodity market (including a market for consumer goods and a market for the means of production), a technological market and a labor market, and a system to render comprehensive services to production and daily life and to Wuhan City and Hubei Province and the economic zones. All these have to be carried out in

selected localities and in a coordinated and well-organized way before the multiple functions of the city can be effectively developed.

Building and developing the city's comprehensive functions is a strategic task. It is a historical process involving both immediate and long-term interests, the parts and the whole, and touching upon the renewal of our knowledge and the changing of our traditional ideas. We must have a new high plane and overall planning in our ideological understanding and coordinate major systems with minor ones and properly organize them into complete sets; we must concentrate on key issues and develop steadily; we must be concerned with the well-being of the masses and do our very best to solve problems of people's livelihood that demand prompt solution.

--We should rely on scientific and technological progress, raise the quality of enterprises and strengthen the commodity production capacity. As circulation is being invigorated in Wuhan, stepping up the construction of the commodity production base and raising the quality of enterprises has become an extremely urgent task. Stepping up the construction of commodity production bases, however, does not mean arranging for a number of new projects; the important thing is to gain a foothold in exploiting the vitality of existing enterprises, in reform, and in relying on scientific and technological progress to develop new technology and new industries. This is the source of economic strength that Wuhan hopes to enhance and use as a takeoff point. With the opening of the market, products produced locally in Wuhan now face a serious challenge in competition from products made elsewhere. Just as Comrade Ziyang pointed out, we are now facing a constant challenge. Therefore, when we stress the multi-functional role of the city, we should pay particular attention to stepping up the construction of the commodity production bases in the city. While Wuhan City is beginning to shift toward commodity production with emphasis on raising economic results and improving the quality of products, sustained efforts should be made to consolidate the industrial basis, steadfastly follow the road of technological transformation and scientific management, improve the quality of enterprises in a down-to-earth way and raise the quality of products. Emphasis should be placed on importation by integrating the importation of advanced technology and equipment from abroad with transformation of key enterprises. We should lay stress on ensuring that those enterprises turn out hot-selling products, carry out technological transformation in them at a higher starting point and in a systematic manner by forming things into complete sets and develop "elite" enterprises and create "elite" products by means of importation and transformation. In the meantime, we should assimilate the imported technology and equipment, reproduce them and acquire the ability step by step to produce them in China so that when we import one item, we can transform it into a batch and improve it in a general area. Attention should also be paid to introduce advanced technology and equipment in our own country. Vigorous efforts should be made to develop new technology and new industries and improve and update traditional products; with regard to general products and spare parts, manpower should be spread, switched and turned over to develop new products. We have to rely on scientific and technical personnel to develop new products and carry out technological transformation and in the meantime promote and encourage rationalization proposals, invention and

creation among the masses. We should insist on scientific management and managing the factories strictly and on enterprises being run in an open and pioneering way. We should reduce cost and absorb the factors that cause price hikes in raw materials so as to create conditions for structural price readjustment within the industries. We should vigorously promote large backbone enterprises; the localities should serve the large enterprises and the large enterprises should help develop the local economy.

--We should probe into the law of uniting macroeconomic control with invigorating the microeconomy. Invigorating the microeconomy is as much a reform as macroeconomic control. A rational macroeconomic control has created conditions for invigorating the microeconomy in a sustained, stable and effective way. For this reason, we should master rational macroeconomic control and the new skill of invigorating the microeconomy under macroeconomic control. During the reform, Wuhan City has done a good job of probing into the comprehensive application of economic levers. By applying economic levers consciously and in a comprehensive way, we have made an important change in our method of economic management. This matter takes a lot of learning and should be explored further.

--We should have respect for qualified personnel, be good at discovering them and make proper use of them boldly. The important thing in reform is to know how to choose the right person for the right job. Qualified personnel should be discovered in the course of the reform and steered and advanced in due process. Qualified persons are in abundance among the masses. We should choose qualified personnel without fixed specifications, make proper use of qualified personnel and give full scope to their abilities. The key to doing this work successfully lies in the leading bodies, which must be full of vigor and vitality, bold to make progress and capable of selecting qualified personnel without fixed specifications for the cause of the party. The leading bodies of Wuhan City have paid attention to building themselves and made sure that the new and old comrades are mutually supporting and coordinated with one another. By taking note of discovering and making proper use of qualified personnel, they have used some qualified personnel who are at home with operations and management and trained some qualified personnel who are knowledgeable not only in microeconomics but also in macroeconomic management. In the meantime, during the reform, Wuhan City has also paid attention to developing the role of experts and scholars in society and old comrades in the party as brain trusters and absorb and organize them to offer advice and make suggestions for the reform. All the work involving qualified personnel has given powerful impetus to the reform.

--We should put a firm grip on party consolidation and ideological-political work and ensure and promote smooth progress in the reform. The purpose of our reform is to give impetus to socialist modernization, the deeper the reform penetrates, the more open things become and the more the economy is invigorated, the more we have to strengthen the party's ideological-political work and the more resolutely we have to correct the new unhealthy tendencies. Wuhan City's party consolidation work is closely centered around the reform in upholding operational guiding principles and specific reform and party consolidation measures and in correcting the new unhealthy tendencies. It

has ensured the reform by means of party consolidation and looks upon the reform as a realistic task for party consolidation. This way of doing things is in keeping with the CPC Central Committee's spirit of achieving party consolidation through economic tests and promoting the economy and reform by means of party consolidation. We should fulfill the party consolidation tasks comprehensively in the course of the reform by setting high standards and bring about a basic turn for the better in party style. We should strengthen ideological-political work in the course of the reform and give prominence to education in ideals and discipline. Wuhan City has set an example in pursuing education in ideals among the leading cadres by getting hold of the leading cadres and letting them take charge. In the meantime, the city has also paid much attention to tackling social order in a comprehensive way. It is hoped that we will create more new experience in making ideological-political work more regular, systematic and scientific.

--Reform is in urgent need of a traditional form of leadership over large cities, including the management system and the methods of leadership. Large cities, such as a large city which is a provincial capital in particular, are very different from medium and small cities. Excessively rigid control of large cities can cause corrupt practices which can hurt the development of the inherent vitality of the cities. As to the management system, the central authorities have given approval to Wuhan to implement unitary planning and exercise top-level economic management authority in the province, including that of putting an enterprise under a lower administrative level; it has also authorized Wuhan City to regulate communications and open ports for foreign trade in the Wuhan region. Correspondingly, we should also improve our methods of leadership. Exercising overly rigid or meticulous control as we did in the past won't do, nor will letting things go work. We should consult on major issues and not interfere with minor ones. In implementing important policy decisions of the CPC Central Committee, including major policies concerning reform and economic construction and important issues involving the economic layout and economic life in the province, the province and the city should discuss them with each other and keep each other informed. Wuhan City should be given a free hand to run things in other fields creatively and move forward in a pioneering spirit. We should have respect for the Wuhan Municipal CPC Committee and the municipal government and also have confidence in their ability to unite the people of the whole city to make the reform a success.

Comrade Guan Guangfu emphasized that the province should go a step further in supporting the reform in Wuhan City and invigorating Hubei's economy by drawing on the achievements made by Wuhan City in the reform. Having analyzed the new situation now confronting Wuhan, he pointed out that although Wuhan had achieved results during the early stage of the reform, as far as attaining the ultimate goal of the reform is concerned, the burden is still heavy and the road is long. In laying out the strategic plan for the economic structural reform, the CPC Central Committee has placed Wuhan in an important position and has great expectations. The whole province and the whole country are following the reform with great interest, there is no alternative but to move forward and succeed. It is a giant step forward for Wuhan City, which has changed from a consumption city in the past to a



production city. A more arduous task now calls for further developing this production city into a multi-functional city and a key economic city in the hinterland that is full of vigor and vitality. This new situation has, on the one hand, called on Wuhan to consolidate and better the results achieved during the early stage of the reform and make persistent efforts to bring about a new breakthrough and new development; and, on the other hand, it also has called on our provincial CPC committee, the provincial government and various departments directly under the province to continue support of Wuhan's reform in the same vigorous way they did during the early stage so as to bring still greater success to the reform. First of all, we should understand Wuhan's reform from the level of its strategic position. Wuhan City's reform is an important link of the strategic plan for the economic structural reform throughout the country which has a bearing on the realization of the strategic plan for the reform nationwide, on the construction of an economic center in the hinterland and on providing the experience of urban reform to the whole province and promoting economic development in the province also. Second, we should clearly define our own responsibilities. It is the city's responsibility and also that of the province to fulfill this task of the CPC Central Committee in testing Wuhan as a selected point. Various departments directly under the province which have acquainted themselves with Wuhan, cared for it and supported it during the reform should find their own posts, organically integrate their support for Wuhan's reform with the reform of their own departments, explore new ways and usher in a new situation. Third, we should help surmount difficulties and relieve anxiety. We should adhere to unitary planning and at the same time uphold economic integration. Letting Wuhan exercise provincial-level economic management power does not amount to "dividing up family property" [fen jia 0433 1367] either. Many issues which cropped up in the course of reform and economic construction need coordination and support from the provincial authorities. Fourth, we should continue to delegate power, give others a free hand in their work and set our mind at rest.

Comrade Guan Guangfu said that the results of Wuhan's reform and its multiple functions can be applied in many areas to promote economic development throughout the province. The ways to apply them are mainly:

--Applying Wuhan City's economic and technological advantages so as to link all large, medium and small cities in Hubei together and bring about a provincial economic network with Wuhan as the main economic center. A very important aspect here is to develop horizontal economic relations so that urban and rural areas can help each other in economic development.

--Applying Wuhan City's experience in keeping the city gate wide open, invigorating the market and improving local techniques and the quality of products by introducing name-brand products of good quality from other places in order to open a market for one's own products.

--Applying Wuhan's experience in reform and integrating with local prevailing conditions to advance the reform. In the meantime, problems encountered and questions raised in the course of the reform should be given consideration and a new way should be explored to cope with them.



In conclusion, Comrade Guan Guangfu emphatically pointed out that we must understand, acquaint ourselves with, support and apply the experience of Wuhan's reform. The province and the city must support each other in reform, link themselves up in planning and in overall economic coordination so as to make the urban and rural areas mutually interdependent. This way, Wuhan's reform will definitely develop in a healthy way in the great arena of reform in Wuhan, thus invigorating this vast market and developing Wuhan's role as a hub linking places in all directions. Wuhan's development will also further enliven Hubei's economy and advance economic development in the hinterland of our country. He hoped that the Wuhan Municipal CPC Committee, the municipal government and the broad masses of cadres and people would make full use of the power bestowed by the CPC Central Committee and the province and march forward toward the direction charted by the "Decision" and in the spirit of Comrade Zhao Ziyang's speech; he also hoped that they would continue to carry forward the brave pioneering spirit to make progress and advance, break through the difficult point in reform and with one heart and one mind, work ceaselessly and unremittingly in an earnest and down-to-earth way to develop in the midst of competition and advance in the course of reform so as to create fresh experience through the reform; he hoped that they would make contributions in promoting economic development in the province and the hinterland in response to the earnest hope pinned on our Wuhan City by the CPC Central Committee and the State Council.

Comrade Wang Qun [3769 5028], first secretary of the Wuhan Municipal CPC Committee, also addressed the meeting. He said, Comrade Guan Guangfu's important speech has amply demonstrated the provincial CPC committee's concern and support for the reform of Wuhan City. Our reform has just begun and is being carried out and tested. It is still far from meeting the demands of the "Decision" of the 3d Plenum of the 12th CPC Central Committee and the demands of the CPC Central Committee and the provincial CPC committee. It is only an embryonic form of low level and our tasks from now on are still quite arduous with many new situations and new problems for us to study and solve. He said, our reform had a good start, the basic factors are, just as Comrade Guangfu put it: 1) the guidance of the correct line and general and specific policies of the CPC Central Committee and the vigorous support of the State Council; 2) the leadership of the provincial CPC committee and the provincial government and the support and cooperation of organs directly under the province; 3) the foundation of construction over the past 35 years and the endorsement and support of the broad masses of the cadres and people of Wuhan City; 4) advice and suggestions offered by the brain trust. Only when we correctly understand the achievements made in the reform in Wuhan can we move on continuously. He said we should treasure the support and honor given to us by the CPC Central Committee and the provincial CPC committee. By delegating power to the lower level and upholding unitary planning does not mean asserting one's independence and creating new "barriers" and new segmentation but rather means putting the city's multiple functions into more effective play. Wuhan is still the provincial capital city of Hubei and the relationship between the province and the city remains a relationship between the one who is leading and the other being led. This idea must be defined very clearly. Our reform is being carried out under the leadership of the CPC Central Committee and the provincial CPC committee.

Wuhan's development must depend on the vast territory of Hubei Province. Wuhan's radiating power and appeal must above all turn in the direction of Hubei's 180,000 km<sup>2</sup> of territory and the medium and small cities around it to link the urban with the rural areas for development in a coordinated manner. Putting into play Wuhan's multiple functions should benefit Hubei first and at the same time radiate toward the northwest and the southwest. Wuhan is Hubei's Wuhan and Wuhan's reform is a part of the reform in the whole province. Comrade Wang Qun called on various departments and enterprises in the city to consolidate and develop the results achieved during the early stage of the reform, study the experience of advanced provinces and cities, enhance their sense of urgency, strengthen the weak links and not be satisfied by occasional, minor successes and a limited view. Continuing efforts should be made to strengthen party building, do a good job in party consolidation, strengthen ideological-political work and boldly promote pioneering qualified personnel. It is necessary to deepen the economic structural reform in Wuhan continually by relying on the concerted efforts of the party committees at all levels and the broad masses of the people throughout the city and live up to the expectation of the CPC Central Committee and the provincial CPC committee.

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## DOMESTIC TRADE

### CLOSER ECONOMIC LINKS BETWEEN FUJIAN, HUBEI ADVOCATED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese 5 Feb 85 p 53

[Article by Dong Xiao [5516 2556]: "Prospects Are Bright for Strengthening Economic Cooperation between Fujian and Hubei"]

[Text] During last October and November, representatives from Fujian's Shanghai office visited Hubei on an inspection tour and learned that the two provinces have different strengths and weaknesses and that there is much room for cooperation between them; they believe that we should consider effecting that cooperation in the following areas.

1. Provinces and municipalities in the interior are eagerly seeking coastal seaports through which to establish outside contacts and break into the international market. If we can seize this excellent opportunity and take advantage of Fujian's excellent location, simultaneously open up to the outside world and to the interior, attract domestic and foreign talent, technology, capital and goods and get people to come to Fuzhou and Xiamen to open stores, establish factories and do business, we can make Fujian's coastal cities become windows for the introduction of new knowledge, new technology, new equipment and new materials and distribution centers for domestic and foreign capital, goods and information. Fujian has just begun to take her first steps toward establishing contacts with the interior and should go forth, open up, explore and initiate multileveled, multichanneled and multifarious economic and technical cooperation with such nearby provinces as Hunan, Hubei, Anhui, Jiangxi and Sichuan. For the potential in this area is at least as great as that for foreign contacts. If we can establish policies that offer more favorable terms than Shenzhen does and make things convenient for everybody, we will be able to attract people from all parts of the country to Xiamen and Fuzhou to open stores and set up factories, to make these two cities into acceptable seaports for interior provinces and municipalities, and to naturally transform these provinces and municipalities into a vast hinterland for Fujian, a development that is crucial to the ability of Fujian's economy to "march at the forefront of the four modernizations."

2. If the interior is to establish outside contacts and link up with the rest of the world, we must first give consideration to the problem of transport. Existing railroads, roads, and water and air transport no longer meet the changing needs, and with limited funds and human and material resources, a

single province cannot handle the problem by itself. Thus we propose that Fujian consider jointly operating shipping companies and international airlines jointly with Hunan, Hubei, Jiangxi, Anhui, Sichuan and other fraternal provinces. We should jointly organize a fleet of ships to handle river and sea transport; to reduce pressure on railways; to ship in by direct water route the large quantities of coal, phosphorus, steel and other goods our province desperately needs; to transport the products of all provinces and municipalities in the Chang Jiang valley to the coast for export; and thus to make Fuzhou and Xiamen gradually become ports and windows of external trade for inland provinces and municipalities. In establishing international airlines, we must first open interprovincial routes linking Fuzhou and Xiamen with Wuhan, Changsha, Chongqing, Chengdu and Nanchang, and then open routes between Fuzhou and Xiamen and other countries of the world so that the two cities can become international airports. All of this naturally would link Fujian with the provinces and municipalities of the interior.

3. Wuhan is a developed and prosperous inland trade center. Thus Fujian's counties and cities should consider opening markets in Wuhan to sell our industrial products and to utilize the traditional channels of circulation through that city to expand markets for our goods into the provinces of central-south China, the southwest and even the northwest. Fujian's products, especially her "foreign goods," would enjoy a certain amount of competitiveness in these regions.

4. Hubei is very strong in science and technology; boasts Wuhan University and 50-plus other institutions of higher education, 34 research institutes and 203 awards for scientific and technological [S & T] research results; and in 1983 had 543 research results approved and produced 48 important S & T results that have been applied in the national economy. Thus as we continue to learn from Shanghai and Jiangsu, we should also consider introducing advanced technology, trained personnel and S & T results from Hubei and choose widely from among many good things.

5. To resolve our shortages of steel, copper, phosphorus, cement and other raw materials, we can make investments in Hubei in the form of compensation trade, and developing production of phosphorus, iron, copper, gypsum, limestone and other minerals in exchange for supplies of steel, copper, phosphorus, gypsum and cement. We can also obtain the items we need by bartering wood and color televisions. In the past, we always obtained phosphorus from Yunnan and Guizhou, which are far away, and thus very expensive. We should look to closer places, such as Yichang and Xiangfan, which have convenient transport and offer lower prices. In addition, Hubei's abundant medicinal herbs are very important in Fujian's trade with Taiwan, so we should make arrangements to buy these products in Hubei, too.

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## DOMESTIC TRADE

### NEED FOR STRENGTHENING HORIZONTAL ECONOMIC LINKAGES DISCUSSED

Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese 5 Aug 85  
pp 23-25

[Article by Hai Nan [3189 0589]: "Develop Horizontal Economic Linkages and Uphold an Internal Open Door Policy"]

[Text] Last October the 3d Plenum of the 12th CPC Central Committee adopted the "Resolution of the CPC Central Committee on Restructuring the Economic System," which sets forth in depth the necessity for developing the commodity economy in every way, makes a clean break with the traditional notion that economic planning and the development of a commodity economy are mutually exclusive, and points out that as long as there is commodity production, there will be competition. The "resolution" stresses that if we open up the country to the world, the need is even greater for the various regions within China to open themselves up to one another. The promulgation of the "resolution" signals the beginning of a new stage in our restructuring of the urban economic system.

#### I. The Internal Open Door Policy Is an Important Aspect of the Restructuring of the Economic System

In the past our economy was a closed and rigid system. In managing the economy, we usually did not follow objective economic principles but resorted to administrative tools instead, handing down an array of planning targets from one level to the next depending on the region and the department. Moreover, the scope of planned management was getting wider and wider and the forms of planned management became more and more uniform. As mandatory targets proliferated, market regulation was suppressed and economic life stagnated. Regions, departments and enterprises imposed a blockade on others, each doing its own thing in isolation. When they went in for development, their frame of reference was strictly regional or departmental. Seldom did they consider using the advantages of other regions, departments or enterprises to solve their own problems through cooperation. The results were such serious problems as "an urban-rural schism, fragmentation, production duplication and circulation blockages," all barriers to the development of productive forces. In industrial development, the failure of some regions to cooperate with others and their preference for establishing their own self-



contained industrial systems led to many duplicated projects. In their attempt to make themselves "large and self-contained" or "small and self-contained" and totally independent of others, many enterprises were unwilling to engage in specialized cooperation. In commodity circulation, we did not observe commodity circulation principles but artificially unified all commodity procurement and supplies in accordance with administrative regions or levels. In financial management, we prevented a region, department or enterprise from using its funds outside the unit, making it impossible for them to enter into joint ventures or other cooperative undertakings with other regions, departments and enterprises and hence to get the best returns on their investments. Our effort to popularize technical achievements was hampered by the absence of a technical market, with the result that achievements were not popularized and applied promptly. The inevitable upshot of all this was that the strength of all regions, departments and enterprises was not brought into play, their weaknesses were not overcome and the rapid development of China's national economy was severely retarded.

The restructuring of the economic system, which we launched after the 3d Plenum of the 11th CPC Central Committee, has prompted regions, departments and enterprises across the country to take major strides toward forging horizontal economic linkages. Between relatively developed regions and undeveloped regions, between coastal areas and the interior and border areas, between cities and villages, between trades and between enterprises, blockades have been lifted and doors are being opened. Currently under way is a vigorous drive to promote horizontal economic ties and develop economic and technical cooperation in all its myriad forms in accordance with the principle that one should make full use of one's strengths, avoid one's weaknesses, benefit one another and develop together. Among the more prominent examples of cooperation are the following. In the field of commodity circulation, a commodity circulation network has been established, an open system consisting of a multitude of elements and channels but few bottlenecks. Also emerging are a number of trade centers for industrial and agricultural products and exchange centers for means of production, greatly boosting interregional economic and trade relations. In urban construction, a construction market has appeared and the bidding system has been adopted for urban construction projects, which is open to construction departments from outside the province or municipality concerned. In fact, the construction department of a province or municipality can now bid for any urban construction project anywhere in the country. In the exchange of technical achievements, a scientific and technical market is now in place where scientific research institutions can come into direct contact with production departments and where the latter can arrange to use the former's achievements for a fee or sign an agreement with them to mount a joint attack on a technical problem. In industrial production, some forms of interdepartmental, interregional specialized cooperation have come into existence, nudging the enterprises in the direction of specialization. A number of enterprises have even gone in for interregional joint production, expanding batch process to satisfy market demands. In addition, some cities have made a special effort to introduce delicacies, dishes and cuisine peculiar to other regions, thereby invigorating their markets and meeting their people's diverse needs. Plans are being drawn up in yet other regions to offer interregional coordinated transportation, organize all manner of coordinated, interconnected transportation companies

and brigades for the movement of goods and passengers, and establish a transportation network which saves time and yields high economic results.

## II. The Functions of Horizontal Economic Linkages and the Internal Open Door Policy

Looking at the way regions across China are opening themselves up to the rest of the nation and strengthening horizontal economic ties, we can note the following important functions such developments fulfill:

First, the strengthening of horizontal economic ties helps all regions, departments and enterprises to exercise their strengths and promote economic development. For a variety of historical and other objective factors, a region cannot have everything it takes to develop economically. Some regions are endowed with technological expertise and funds while others are rich in resources. Even among technologically superior regions, their technical advantage may take different forms, with some excelling in certain technologies and some in others. Some regions may produce a product very cost effectively, while others may be very inefficient in making the same thing, so on and so forth. To give play to our strong points and neutralize our weaknesses, we must open ourselves up and enter into economic and technical cooperation with other regions, departments and enterprises.

Second, strengthening horizontal economic linkages is a powerful way of promoting competition between enterprises, prompting them to diversify product variety, design and color, improve product quality, lower consumption and increase productivity, and helps advanced enterprises become more advanced, and backward enterprises evolve into advanced ones. Because of regional barriers and departmental fragmentation, enterprises in the past isolated themselves from one another and the channels of commodity circulation were clogged. Add the numerous problems in the planning system and we have a situation where deciding what to produce and how much to produce became the exclusive concerns of the commerce departments, where competition between enterprises did not exist and where, consequently, enterprises lost the internal motivation to increase product variety, upgrade product quality, lower consumption and improve productivity. By opening ourselves up internally, lifting regional blockades and ending departmental fragmentation, we provide the necessary conditions for commodity comparison in terms of price and quality, for competition, for the full operation of market forces, and for the economy to move ahead.

Third, strengthening horizontal economic linkages effectively makes for a flourishing market in both urban and rural areas and helps satisfy the people's varied needs. Take the Beijing market, for instance. Previously it offered few regional dishes and little regional cuisine. Later the municipal government decided to welcome out-of-town people to come to Beijing and open restaurants. Soon a variety of regional cooking and delicacies sprang up in Beijing, represented by such establishments as Guangdong's Dasanyuan, Sichuan's Chongqing Huoguo dian and Shancheng, Suzhou's Songhelou Fandian, Hangzhou's Zhiweiguan, Shanghai's Gongdelin and Yunnan's Kunming Canting, which dot its streets and parks. Revived is the phenomenon of the 1950s when Beijing acquired a reputation as "the center of fine cuisine" and was said to

"overflow with restaurants offering local dishes." Actively exploiting its own strength, Beijing has also been marketing its native food in many provinces and municipalities. For example, it has signed an agreement with the Xiamen Special Economic Zone to build a Beijing Street in the zone which will feature a wealth of commercial services and restaurants with a distinct Beijing flavor and serving such dishes as Beijing duck, instant boiled mutton, palace cooking and "rongbao" vegetarian diet. Also, the Dongchengqu Catering Co of Beijing is jointly operating a "Beijing Fanzhuang" in Fuzhou with the Fuzhou Catering Co, serving mainly Beijing cuisine, palace cooking and Beijing duck.

Fourth, strengthening horizontal economic linkages helps boost specialized cooperation and reduce overlapping. Owing to past regional blockades and departmental fragmentation, all regions aimed at turning themselves into self-sufficient independent entities, which led to many duplicated projects and wasted huge government development funds. Moreover, many of the products turned out by these overlapping enterprises at high costs were of a poor quality. An internal open door policy and strengthened horizontal economic ties will help fuel competition between regions, departments and enterprises. In the future, duplicated projects put up blindly in disregard of conditions will inevitably decrease. There is also the possibility that many existing overlapping projects will take up specialization and cooperate with one another in the interest of better economic results.

### III. Some Ideological Problems That Must Be Resolved as We Firmly Adhere to the Internal Open Door Policy and Insist on the Need To Strengthen Horizontal Economic Linkages

Despite its not insignificant achievements in promoting economic development, the internal open door policy and the strengthening of horizontal economic ties still run into some resistance. If we are to make headway along those lines, we must do an even better job in separating the enterprise from the government and give it even more autonomy so that it can function as a relatively independent economic entity, a socialist commodity producer and operator which enjoys managerial autonomy and assumes responsibility for its own profits and losses. In addition, we must resolve some comrades' ideological concerns.

First, fearful that enterprises in their region will be eliminated through competition, some comrades dare not open it up to other regions, following a closed-door policy instead. This approach simply will not work. We cannot stand in the way of the development of a commodity economy. Similarly unstoppable is the development of internal economic linkages. As a result of the restructuring of the economic system over the past few years, our economy, which used to be exclusively a system of state ownership, has undergone major changes, including the rising importance of a number of other economic elements. The planning system, formerly dominated by command planning, now accommodates guidance planning and market regulation as well as command planning, with command planning playing a waning role and guidance planning and market regulation gaining more prominence. Because of the decision to separate enterprise from government, streamline administration and delegate power, enterprises today have more autonomy. In the wake of such massive

changes, how can we maintain the closed-door policy? This policy and any attempt to protect the backward will only make them more backward and lead to their elimination in the end. Comrade Deng Xiaoping has said, "We cannot develop behind closed doors. There are two kinds of closed-door policy, international and internal. The latter means that one region isolates itself from other regions, or one department from other departments" ("Building Socialism With Chinese Characteristics"). Even as we open China to the world, we must firmly adhere to an internal open door policy, expose our enterprises to the marketplace and put them through the rigor of competition. Only thus will they be able to hold their own against their competitors and advance amidst competition.

Second, some comrades are worried that it may not be convenient or safe to establish horizontal economic linkages with other regions, departments or enterprises or go in for economic cooperation. Invariably their aim is to make their own enterprises "large and self-contained" or "small and small-contained." This idea, too, is mistaken and flies in the face of the demands of social mass production. Our main task today is social mass production, which requires a high degree of division of labor. The higher the degree of division of labor and the larger the scope of cooperation, the more developed our social mass production and commodity economy will be. The clearest indicator of a nation's production level is the extent of its division of labor. Social mass production and the commodity economy cannot develop without the open door policy. Both opening China to the world, which promotes commodity exchanges on an international scale, and opening ourselves up internally, which promotes commodity exchanges within the nation, further commodity exchanges. In formulating the economic development strategy of his region or enterprise, an outstanding leader should make good use of the division of labor and cooperation, bring its advantages into play, neutralize its weaknesses and enlarge his frame of reference from the region or the unit to take in all the regions and all the units in the nation. Any attempt to turn one's region into a self-contained system, a "large and self-contained" or "small and self-contained" unit, will not only cause the state heavy economic losses, but also obstruct one's own development. At a meeting held early this year by the Industrial Department of the Beijing CPC Committee and the Economic Commission of the municipal government to discuss ideological guidelines, some comrades noted that large enterprises have not paid full attention to their greatest piece of autonomy, that is, the power to attract foreign capital and technology and cooperate economically with the interior to develop inter-enterprise horizontal economic ties. In an all-out drive to forge such ties, the Beijing General Electrical Machinery Plant has set up 50 joint economic operational points covering 18 provinces and municipalities, which increased its production capacity by more than 50 percent. This example speaks volumes for the profound implications of horizontal economic linkages for an enterprise's own development. Needless to say, in the course of economic and technical cooperation, problems of one kind or another will inevitably arise between regions, departments and enterprises, problems which should be readily resolvable provided that we tackle them in accordance with the principle of mutual benefit and common development.



We must take a positive attitude toward the open door policy and the development of horizontal economic linkages. Not only must we open our doors and let in commodities, technology and funds from other provinces and municipalities, but we must also take the initiative to venture out and actively organize the import into our province or municipality of commodities from all over in order to invigorate the local market. We must go out, take a look at the advanced scientific and technical achievements of other provinces and municipalities and energetically import them for our own use. What is more, we must give play to our own economic and technical advantages, vigorously cooperate economically and technically with other provinces and municipalities and improve ourselves in the process. Regions, departments and trades should also invest in one another to help channel funds toward projects which are socially necessary and produce good economic results, and avoid irrationally overlapping projects.

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## FOREIGN TRADE AND INVESTMENT

### TIANJIN'S FOREIGN, DOMESTIC ECONOMIC TIES DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese 27 Jun 85 pp 8-9

[Article by Tian Yun [3944 0061]: "Tianjin's Open Door Program Is Gathering Momentum"]

[Text] In the past few years, particularly since the State Council selected Tianjin as one of the coastal cities to be further opened to the outside world, the municipality has markedly accelerated imports of foreign capital and technology. Data provided by the Tianjin Foreign Economic Relations and Trade Commission indicate that the number of joint venture agreements signed with foreign businessmen in 1984 was 3.9-fold greater than the total number signed between the years 1979 and 1983 and that Chinese and foreign investment during 1984 was 4.4-fold greater than the total for the previous 5 years.

#### Administrative Work Efficiency Has Greatly Improved

In the past several years, Tianjin's foreign economic relations and trade work has rapidly improved in terms of efficiency. The agreements signed in 1984 to import refrigerator compressor and plate-glass production lines from Italy involved more than \$10 and \$20 million, respectively, and each of the two transactions required only 1 month of negotiations to conclude. And the project involving the import from the FRG of a production line for manufacturing 100,000 motorcycles per year took only 22 days from the first visit to Germany to the second trip, when negotiations were concluded and the agreement was signed.

At the China Open City Investment Fair convened in Hong Kong during November of last year, Tianjin signed 116 contracts, agreements and letters of intent with foreign firms, ranking first among the 19 cities represented at the fair. The Hong Kong business community remarked that Tianjin leaders are bold and vigorous, Tianjin has undergone tremendous change, and the municipality's investment environment is good.

In cooperating with foreign firms, Tianjin upholds the following principles. Not only must we be concerned with making money ourselves, but we must also take foreign firms' interests into account and ensure that investors can earn a profit. And we must be generous and astute and avoid blowing big opportunities by wasting time haggling over minor amounts of money.

The Tianjin People's Government has declared that, in general, official replies are to be rendered within 15 days and, at the longest, are not to exceed a month and a half, for all requests for approval of contracts for joint enterprises.

Tianjin encourages joint ventures, cooperative ventures and wholly-owned foreign enterprises to market their products abroad and permits them to sell on the domestic market. A certain percentage, even a majority, of the goods produced with advanced techniques or technical equipment provided by foreign firms or of the commodities that China must import in large quantities may be marketed domestically. All joint ventures, cooperative ventures, and wholly-owned foreign enterprises are to receive regular supplies of water and electricity; steady supplies of necessary fuel and raw materials can also be guaranteed; and the entities may purchase their own raw materials, equipment and spare parts abroad when domestic supply is insufficient. And specific measures have been formulated to grant favorable treatment with respect to the enterprise income taxes, industrial and commercial consolidated taxes, import duties, foreign enterprise taxes and taxes on interest income joint ventures are required to pay.

#### Import Work Has Already Won Initial Success

In 1984, 78 contracts involving imports of \$160 million in foreign capital were signed for Chinese-foreign joint ventures, cooperative ventures, compensation trade, leasing operations and World Bank loans. And a total of 235 contracts for imports of technology and equipment totaling \$230 million, an increase of 69 percent over the previous year, were signed.

Currently, 19 joint enterprises have already commenced operations in Tianjin, and the firms that started up earliest are now striving to expand production. For example, the "Dynasty" brand dry white wine produced by the Chinese-French Brewing Co Ltd, in which Remy Martin Co is a partner, won a Chinese national gold medal in 1984 and later won gold medals in international trade fairs at Leipzig, GDR, and Ljubljana, Yugoslavia. This joint venture has commenced formal production of new products and plans to more than double its output. The shampoo, hair conditioner, cold wave lotion, hair dye and three other products manufactured by the Liming Cosmetics Co, in which the (Wei-na-bao) Corp of the FRG is a partner, are very popular in China, Japan and Hong Kong, and this joint venture has begun building a new plant in order to expand production.

Through discussion between Chinese and foreign partners, Tianjin joint enterprises have implemented strict managerial systems and thus have ensured product quality and work efficiency. According to the Chinese-Foreign Joint Venture Law, enterprise board chairmanships are to be filled by personnel selected by the Chinese partner, while vice board chairmanships and general and assistant managerships may be assumed by representatives of the foreign partner. Boards of directors are to serve as the organs of supreme authority within enterprises, and systems of managerial responsibility are to be effected under the leadership of boards of directors. The organizational structures and managerial methods of Tianjin's joint enterprises differ, but

many managers and auxiliary personnel hold concurrent positions and are put to full use, and one discerns no evidence of laxity in work.

The following are some new features that appeared in the joint enterprises for which contracts were signed in 1984.

Enterprise production has gradually expanded to include each sector of the national economy.

In scale, joint ventures have grown from small to large, and whereas small and medium projects used to predominate, medium and large projects have gradually increased.

Joint ventures primarily involve production technology, but there have also been some infrastructural and service projects, such as hotels, bars and motor pools, that serve the open door policy.

Cooperation in the past was primarily directed towards Hong Kong but has gradually been extended to include Japan, the United States, Western Europe and other regions. The progression from the signing of contracts to the commencement of production and operations has gradually been accelerated. And the contracts for five of six ventures that went into operation and production in 1984 were signed during the same year.

#### Foreign Imports Have Promoted Domestic Links

The expanded production capacity engendered through Tianjin's use of foreign capital and advanced technology and equipment has necessitated greater supplies of raw materials and a much broader market and thus has promoted economic and technical cooperation between Tianjin and the interior. With the deepening of the overall economic reform, the range of goods subject to state allotment and procurement has gradually been reduced, which has promoted these horizontal economic ties between Tianjin and the interior. In recent years, 16 provinces, municipalities and autonomous regions have established permanent offices in Tianjin.

The Tianjin Aluminum Alloys Plant, which specializes in production of aluminum components for windows, counters and shelving, originally owned only one 8,000-ton hydraulic extruder, which was designed and manufactured by the plant itself and had an annual output of 400 tons, insufficient to meet demand. The plant, however, began making technological progress in 1982, when a 1,630-ton extruder and complementary oxide coloring equipment were imported from Japan and put into operation. Technicians increased in number, from 10-odd to 109, all workers received technical training, output and profits greatly increased, and 6,063 types of building materials produced by the plant received national gold medals. In 1984, another 2,500 tons of equipment were imported from Japan, increasing output to 2,658 tons and profits from 3.40 million yuan in 1982 to 11.00 million. The plant's products sell well throughout the country and have entered the international market.

After increasing output capacity, the plant adopted flexible measures and initiated cooperation with the interior. These efforts include the following:

The plant invested 48 million yuan in the Ningxia Tongxia Aluminum Plant's expansion program, a key state project. Beginning in 1987, the Tongxia Plant will supply the Tianjin Plant with 84 tons of aluminum ingots annually (equal to 57 percent of the materials used by the latter).

The Tianjin Plant has transferred ingot casting technology to the Qinhuangdao Aluminum Plant, and once this technology is put into production, the latter plant will provide the former with 800-1,000 tons of aluminum ingots annually.

The alloys plant has established joint enterprises in the Shenzhen and Xiamen special economic zones and the recently opened city of Guangzhou to market output and to increase processing sophistication.

12431

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## FOREIGN TRADE AND INVESTMENT

### LABOR UNIONS' LEGAL STATUS IN CHINESE-FOREIGN JOINT VENTURES

Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese 15 Aug 85 pp 38-40

[Article by Xu Lanbo [1776 3482 3134] of the Law Institute, Shanghai Academy of Social Sciences: "On the Legal Status of Labor Unions in Chinese-Foreign Joint Ventures"]

[Text] The "Enforcement Regulations to the PRC's Law on Chinese-Foreign Joint Ventures," promulgated by the state in September 1983, prescribe that staff and workers in Chinese-foreign joint ventures have the right to establish basic-level labor union organizations, according to the Chinese labor union law and labor union statutes, and the right to engage in labor union activities. Chinese-foreign joint venture enterprises (hereafter called "joint ventures," for short) are a special Chinese form of economic organization; they are different from the Chinese state-operated enterprises in the internal organizational system of their leadership and the patterns of their production management. Only initial trials have so far been made to set up basic-level labor union organizations in joint ventures. As to what their legal status is and what their functions and rights will be, after having been set up, with regard to launching union work, there are no ready-made experiences, and all these questions still await further exploration and final conclusions.

#### I

A joint venture labor union, established according to law, is an indispensable organizational structure within the joint ventures. Although not part of the power structure within the enterprise, it is an important representative of the interests of the staff and workers in the enterprise and as such enjoys the following important rights:

A. Participation in deliberations on major questions concerning the joint venture and attendance at meetings of the board of directors.

The right of workers to control the state, the various enterprises, and cultural and educational affairs is the most important right of workers in our socialist system, and it is also the most fundamental right guaranteed by our constitution.



A joint venture is an economic organization set up and jointly financed by a foreign company, enterprise or other economic organization or individual together with a Chinese company, enterprise or other economic entity, according to the provisions of Chinese law. The joint venture is located within the territory of China and is subject to the entire set of Chinese laws relevant to Chinese-foreign joint ventures, regardless of the special characteristics in the person of the foreign investor. All joint ventures are juristic persons of Chinese law. During the independent production undertaken by the joint venture and while managing labor production in a unique way different from that in other Chinese enterprises, the important question that must not be ignored is how to protect the legitimate rights and interests of the Chinese and foreign workers in the enterprise. The best method for that purpose is to have a labor union organization, voluntarily participated in and organized by the staff and workers (hereafter to include Chinese as well as foreigners), represent the interests of the large number of staff and workers, supervise the activities of the administrative leadership of the joint venture and protect the legitimate rights and interests of all staff and workers. The organ of highest power in the enterprise takes the form of a board of directors. The board of directors, organized jointly by the Chinese side and the foreign investor, will act in accordance with the joint venture contract or statute when deliberating and deciding all important questions concerning the joint venture. When the board of directors calls a meeting to deliberate such important items as development plans, production programs and business activities, representatives of the respective enterprise labor union and union organizations shall have the right to participate and to express the opinions and demands of the staff and workers. When the board of directors deliberates and decides on relevant staff and worker bonuses and penalties, the salary and wage system, livelihood, welfare, labor protection and labor insurance, the representatives of the labor union shall also have the right to attend the meetings. The board of directors shall listen to the opinions of the labor union and enlist the cooperation and support of the labor union. The labor union does not represent any of the joint investors. It is therefore quite appropriate to have the labor union exercise supervision as to whether the decisions of the board of directors violate Chinese law or the interests of the state, and whether they infringe on the legitimate rights and interests of the staff and workers.

Some data obtained by relevant departments in their investigations show that a considerable number of the currently operating joint ventures do not invite labor unions to attend board meetings as required by the Chinese law on Chinese-foreign joint ventures and its enforcement regulations. There have been cases of labor union cadres wanting to attend board meetings, when the Chinese side of the leadership took the view that the meetings were merely administrative affairs, and that there would, therefore, be no need for the labor union to participate and supervise. Although such enterprises may have set up labor union organizations, the union does not play its due role.

B. Representing the interests and demands of the staff and workers, collective labor contracts are to be concluded with the joint ventures.

In China, the employment of staff and workers in Chinese-foreign joint ventures is generally effected in the form of a work contract system, where

the rights to be enjoyed and the obligations to be borne by both sides, by the staff and workers and by the enterprise, are clearly defined. This system serves to eliminate the situation that existed for a long time in the past of "eating from the same big pot" and of the "iron rice bowl," which disregarded whether work performance was satisfactory or not. The new system is also helpful in protecting the legitimate interests of staff and workers; it assists labor management within the enterprises and helps raise the economic results in the joint ventures. According to the provisions of the labor contract, the staff and workers on being employed by the joint venture are under obligation to fulfill the work or duties they have undertaken to fulfill, and to observe the labor regulations and operational system in force within the enterprise. The joint venture, on the other hand, has the obligation to pay salaries and wages according to the quantity and quality of the work performed by the staff and workers, and to provide the various labor conditions, labor protection, and so on, as stipulated in the labor law and as agreed upon by both parties. The labor contract generally contains such specific items as provisions dealing with employment, dismissal and resignation of staff and workers, production and work tasks, salary and wages, bonuses and penalties, work time and vacation, labor insurance and livelihood welfare, labor protection and labor discipline, and so on. They include on the one hand the rights enjoyed by the staff and workers and the obligations to be borne by them, and on the other hand also the rights and obligations of the enterprise.

The labor contract is an important legal fact bearing on the existence of a legal labor relationship between staff and workers and the enterprise. The labor union is the important representative of the interests of the large number of staff and workers. The union is entrusted by the staff and workers and enabled by them to pursue legal measures that have a direct impact on personal interests. For instance, the joint venture labor union, representing all individual staff and workers who have joined the union in that particular enterprise, may collectively sign labor contracts with the enterprise. Of course, persons may individually sign labor contracts with an enterprise if no labor union organization has yet been set up in the joint venture, or if the individual staff member or worker has not joined the labor union that had already been set up in the enterprise, or if the individual staff member or worker intends to sign an agreement of a special nature with the enterprise. The contents of this kind of individual contract will more or less be fundamentally the same as the labor contract which the staff and workers had entrusted the labor union to sign collectively with the enterprise.

The enforcement regulations for the Chinese law on Chinese-foreign joint ventures stipulate that Chinese-foreign joint ventures shall without exception implement a labor contract system. Any staff member or worker as an individual is absolutely free in his capacity as an independent subject of civil law relationships to sign a labor contract with the joint venture to realize his own labor rights and protect his own legitimate interests.

There is a difference in character between the collective labor contract which the enterprise labor union organization of a joint venture, representing its staff and workers, concludes with the enterprise in question, and the collective labor contract which the labor union of a state-operated enterprise

concludes with the enterprise in question. The former is an agreement between the staff and workers and the enterprise concerning labor rights and obligations. The parties to such an agreement are on the one side the individual staff and workers of the joint venture and on the other side the leadership of the joint venture--its board of directors. To simplify the procedure for the conclusion of contracts, to make things more convenient for staff and workers, to better protect their interests, to facilitate operation of the labor contract and supervision of its implementation--for these reasons a special method is employed within the joint venture, namely of staff and workers who have joined the labor union collectively entrusting the labor union and having the labor union, representing the interests of staff and workers, sign the labor contract with the joint venture. The collective contract in our state-operated enterprises, on the other hand, is a contract concluded between the administrative leadership department of the enterprise with the enterprise labor union for the purpose of ensuring the fulfillment of the state plan and the improvement of the material livelihood and cultural institutions of the staff and workers. One party is the enterprise or the department in administrative charge, and the other party is the mass organization of the staff and workers--the enterprise labor union organization or the industrial labor union organization, and regardless of whether the staff or workers have joined the union, they must all abide by the provisions of the collective contract.

C. Supervision of all decisions of the joint venture that have an impact on the personal interests of staff and workers, direct protection of the interests of staff and workers.

The capital of a joint venture is partly an investment by China and partly the investment by the foreign owner of capital. We must, therefore, on the one hand have the production of the joint venture accord with the needs of China's economic development, but at the same time also respect the production and business management customs of the foreign investor and allow him to gain a profit. The state will only control and guide the overall direction of the production of the joint venture, but the internal production and business management of the enterprise will not be subject to direct control by the state plan or to interference by a higher level department in administrative charge. However, if it happens that the joint venture infringes upon the interests of the staff and workers, the enterprise labor union, proceeding from the need to protect the interests of the staff and workers, can directly assume the function of supervising the administrative leadership of the enterprise. If a decision of the joint venture on the dismissal or punishment of staff or workers violates relevant provisions of Chinese law, the enterprise union can raise objections in the name of the disciplined staff or worker and may send its representative to negotiate with the board of directors how to resolve the case, and suggest a change or cancellation of the decision. Moreover, in all dispositions regarding staff and workers, the enterprise should solicit in advance the opinion of the labor union organization, consciously accept the supervision by the labor union and enable the labor union to discover and rectify errors in decisions, thus reducing conflicts between the enterprise and its staff and workers. The labor union of a certain Chinese-foreign joint venture woollen mill enterprise in Shanghai exercised its rights according to the provisions of the Chinese law on

Chinese-foreign joint venture enterprises and on its own initiative went into action. The administrative leadership organization of the said company, also on its own initiative, coordinated and supported the work of the labor union, thereby obtaining very good results. The labor union of the said company stipulated that whenever the enterprise issued a disciplinary warning against any staff or worker, it must solicit the opinion of the factory labor union at the factory under the management of the said company. If the disciplinary punishment is a record of demerit or a more serious punishment, the enterprise must solicit the opinion of the company labor union. In the last few years, the said company took disciplinary action against almost 20 staff and workers. All cases were handled according to the relevant laws and the enforcement methods drawn up by the labor union. The suggestions and explanations presented by the labor union after studying the cases could generally be accepted by the company in all administrative respects. After the labor union took the cases up with the company, again explained the legal provisions and specific principles, appropriate arrangements were made for the disciplined workers and all became sincerely convinced so that no further appeal was made to the higher level department in charge.

On the other hand, a considerable number of joint ventures take disciplinary decisions regarding staff and workers without at all seeking the opinion of the labor union, thus completely ignoring it. Some joint ventures only give short notice to their labor unions whenever they have dismissed a staff or worker, or they ask the union official to give his signature as a mere formality. If the legal status of the enterprise labor union is ignored in this way and the powers of the labor union as well as the interests of the large number of staff and workers are disregarded, and if this is allowed to continue, it will lead to antagonism between staff and workers and their enterprise and finally injure the fundamental interests of the joint venture. This is a matter that must definitely receive our attention.

## II

The joint venture labor union on the one hand enjoys the whole series of above-mentioned important powers in the enterprises; but on the other hand it also bears certain direct obligations:

### A. Organizing staff and workers to study the constitution and the laws.

The labor union is the staff and workers' own organization; it is better able than other organizations to stay close to the masses of staff and workers and influence them to participate in various kinds of activities. It is precisely as Lenin expressed it: "The labor union is not at all a state organization, nor an organization to coerce and compel. It is an educational organization, an organization that attracts and fosters staff and workers" ("Collected Works of Lenin," Vol 32, p 2). The labor unions in joint ventures are of course no exception; they are organizations of this kind. They have the duty to propagate party policy among the staff and workers, to organize staff and workers for the study of the constitution and of the laws, to educate them to consciously observe discipline and obey the law, also to learn to conduct affairs according to law and protect their own interests according to law. The constitution and the laws are rules of conduct to be observed by everyone.



No organization or individual has the right to overstep our constitution and laws. Even every foreign investor or staff or worker of foreign nationality has to accept the jurisdiction of our constitution and our laws. As the staff and workers labor for production in the joint venture, they are at the same time serving both the foreign investor and China's socialist modernization, creating material wealth for socialism. The labor union must, therefore, also educate the large number of staff and workers to acquire a correct work attitude, must enhance their enthusiasm for work and creativity to create an even greater abundance of material wealth for the state, for the enterprise, and for the staff and workers themselves.

B. Urging staff and workers to observe internal labor discipline and the rules and regulations of the enterprise.

The various items of labor discipline, operational regulations and other necessary rules and regulations enforced internally by the joint venture are absolutely necessary. They are not the type of discipline built on a foundation of exploitation and enslavement or a system of personal restrictions, but are processes and measures integral to the pursuit of modern, highly efficient production and management and to consolidating an intensive organization of labor. The labor union of the joint venture has, therefore, the duty to educate, supervise and urge staff and workers to observe the internal rules, regulations and discipline of the enterprise. The union has at the same time the duty to educate the staff and workers to handle all affairs according to the provisions of the labor contract and to fulfill the tasks that the contract stipulates. The union has the duty to supervise the other party to the labor contract, namely the managerial departments charged by the board of directors with the implementation of the labor contract. The timely supervision by the labor union of the strict enforcement of all parts of the labor contract by both parties to the contract is beneficial for the reduction of conflicts between staff and workers and the enterprise and to raise the productive forces of the joint venture.

C. Organizing staff and workers to study general topics of education and professional technologies, raising their production and work capability.

An enterprise "which lacks a fixed working personnel considerably proficient in production technology and familiar with modern machinery cannot progress and cannot fulfill its production plan" ("Collected Works of Stalin," Vol 13, p 52). With advanced production equipment in the joint ventures, technological demands are correspondingly high. However, most of the staff and workers in the enterprises will be personnel of the Chinese side, and owing to various historical reasons, they will have comparatively little new knowledge and new technology that is up to international standards. Most staff and workers are also of a comparatively low general educational level; they will not easily master the production equipment of the joint ventures. How to raise their general educational knowledge and production technology to the level adequate for modern production and management is, therefore, a pressing task for which staff and workers must urgently find a solution. It stands to reason that the labor union must help staff and workers resolve this contradiction. This is a demand posed by the staff and workers, as it is also a duty that must be fulfilled by their own organization, the labor union. The



labor union may employ a variety of forms and methods to provide, singly or in cooperation with the enterprise, education and training for staff and workers. Science and technology are continuously developing; the technical training and education in general knowledge is a long-term future task of the labor union.

\* \* \*

For an effective guarantee that the joint venture labor union will be able to independently launch its work and exercise all its functions and powers, will give effect to its own powers and assume the obligations that it is supposed to bear, and effect democratic supervision as representative of staff and workers over the joint venture, the following questions must have the attention of the departments in administrative charge of the enterprises as well as of all relevant departments of the enterprise itself. First, regardless of whether it is a large or medium-sized joint venture or even a small-scale joint venture, its staff and workers may establish a labor union according to the relevant provisions of the joint venture law, and may gradually perfect the organizational structure of the labor union, since it would not be helpful for the proper functioning of a labor union if it were established but organizationally not perfected. A certain joint venture has its head office in Beijing and several branch establishments in Beijing, Shanghai and other places. The head office has established a labor union, but the branch establishments have to this day not yet set up corresponding basic-level union organizations. The inability of staff and workers to supervise many administrative activities of the enterprise has a detrimental effect on the work enthusiasm of a part of the staff and labor force.

Second, the labor union cadres should be elected to their offices by the staff and workers themselves, and must not be appointed and sent in by the higher authority in administrative charge or by the leadership departments; much less should the posts be held concurrently by persons in responsible positions in the enterprise or by management cadres. The labor union is the staff and workers' own organization; only persons who have their trust can represent their interests, speak for them and handle their affairs. If the leadership positions in the labor unions are concurrently held by persons of the administrative leadership of the enterprise, it would go against the character and legal status of the labor union and would be detrimental to its proper functioning.

Third, at a time when legal knowledge is being popularized throughout the country, publicity and education regarding the legal system must be equally strengthened in the joint ventures. The concept of the legal system must be particularly strengthened among the enterprise leadership, so that they will guarantee the proper functioning of the labor union, coordinate their work with the work of the union and attach importance to the role that the labor union should duly play. Union officials must also conscientiously study the laws, exercise their rights according to law, fulfill their official responsibilities, supervise according to law the administrative activities of the enterprise and protect the interests of the workers. The labor union is an organization created by the voluntary association of staff and workers. Guaranteeing the right of staff and workers to voluntarily join and withdraw from the union is a principle that union officials must observe. Due to the

special conditions of the joint venture it will generally have a certain number of foreign personnel. As long as they are not representatives of the foreign investor, they may also be permitted to voluntarily join or withdraw from the labor union.

The administrative leadership of the joint venture must not only actively support the launching of activities by the labor union in the enterprise in question and respect the decisions of the labor union, but must also according to law provide the labor union with the necessary material conditions and equipment. The labor union must also clearly understand its own legal position, fully and independently exercise its powers of office, launch activities, coordinate its work for the improvement of enterprise production and fulfill to the utmost its responsibilities for the development of production. If only close cooperation can be established between the internal administrative leadership of the joint venture and the union organization, if there is mutual respect and all business activities are conducted according to law, it will certainly result in a much better performance of this special economic organization, the joint venture.

9808

CSO: 4006/100

FOREIGN TRADE AND INVESTMENT

ANHUI GOVERNOR RECEIVES FOREIGN BUSINESSMEN

OW030526 Hefei ANHUI RIBAO in Chinese 24 Aug 85 p 1

[Excerpt] On the evening of 23 August, in the conference hall of the Luyang Restaurant Anhui Governor Wang Yuzhao met with industrialists and businessmen from the United States, Canada, the FRG, Japan, Switzerland, Singapore, Hong Kong, and other areas who had come to Anhui to attend the meeting to strengthen foreign economic relations and trade in Anhui.

Governor Wang Yuzhao said: Our old friends who previously did business with us have helped Anhui on the basis of equality and mutual benefit. We would like to take this opportunity to thank them. We would like to brief the newcomers on the situation in Anhui. We also hope that you will understand Anhui's situation and during the trade negotiations, take the first step to lay a good foundation for future transactions. During the past few days, we have scored some achievements in our trade negotiations. I believe we will score even greater achievements. Let us join our efforts to promote economic affairs and trade.

In conclusion, Governor Wang Yuzhao wished all the guests happiness and success in business negotiations.

Also present at the meeting were Vice Governors Shao Ming and Zhang Dawei, Director Chen Jian of the provincial Planning Commission, Director Zhang Guohui of the provincial commission for economic affairs and trade, Director Wang Jie of the provincial Foreign Affairs Office and the responsible persons of the relevant departments.

CSO: 4006/155

## FOREIGN TRADE AND INVESTMENT

### 1984 TRADE STATISTICS REPORTED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese 27 May 85 pp 58, 32, 59-61

[Article by the Statistics Office, Customs Statistics Department, General Customs Administration: "Customs Statistics: A Survey of China's Foreign Trade in 1984"]

#### [Text] I. Survey of Imports and Exports

In 1984, China's foreign trade totaled 120.1 billion yuan and increased 34.08 billion yuan, or 39.63 percent, over 1983. Both exports and imports showed large increases, with the former totaling 58.05 billion yuan and rising 32.45 percent, or 14.22 billion yuan, and the latter totaling 62.05 billion yuan and rising 47.09 percent, or 19.86 billion yuan. Imports exceeded exports, for a trade deficit of 3.99 billion yuan.

#### II. Breakdowns of Imports and Exports

##### A. Export Breakdown (Based on Statistics from Consumer Countries)

In 1984, exports of primary products amounted to 26.47 billion yuan, accounting for 45.6 percent of the total value of China's exports during the year, a rise of 7.49 billion yuan over 1983. Principal among these commodities were minerals and fuels, which amounted to 13.36 billion yuan, accounting for 23 percent of China's total exports, an increase of 4.16 billion yuan over 1983. Of these exports, petroleum and petroleum products amounted to 12.64 billion yuan, coal 700 million yuan. Next came food exports, which amounted to 7.96 billion yuan, accounting for 13.72 percent of China's total exports, an increase of 1.99 billion yuan over 1983. Of these, vegetables and fruit totaled 1.84 billion yuan; meat and meat products, 1.0 billion; grain and grain products, 1.02 billion; coffee, tea, cocoa, spices and products made therefrom, 1.0 billion; fish, crustacean, and mollusks, nearly 700 million; rapeseed and oil-producing materials, 1.02 billion; and edible vegetable oil, 240 million. Exports of industrial raw materials amounted to 4.38 billion yuan, accounting for 7.55 percent of the total, a rise of 1.18 billion yuan over 1983. Of these, textile fibers totaled 2.03 billion yuan; animal and vegetable raw materials, 970 million; metal ores, 390 million; natural fertilizers and minerals, 520 million; and so on. Beverage and tobacco exports totaled 240 million yuan, rising by 39.80 million yuan over 1983 and amounting

to 150 and 88.80 million yuan, respectively. Feed exports totaled 500 million yuan.

During the year, exports of manufactured goods reached 31.57 billion yuan, accounting for 54.4 percent of China's total exports, an increase of 6.72 billion yuan over 1983.

1. Exports of heavy industrial goods totaled 8.39 billion yuan and included 6.85 billion yuan in machinery and transport equipment, 690 million yuan in metal manufactures, 360 million yuan in nonferrous metals, 280 million yuan in iron and steel and 200 million in nonmetallic-mineral manufactures.

2. Chemical exports totaled 2.25 billion yuan, rose by 430 million yuan over 1983 and included 650 million yuan in organic chemicals, 630 million in inorganic chemicals, 320 million yuan in pharmaceuticals and 150 million yuan in essences.

3. Textile and light industrial exports amounted to 20.92 billion yuan, accounted for 36.04 percent of China's total exports for the year, increased by 5.71 billion yuan over 1983 and included 8.16 billion yuan in thread and fabric, 5.89 billion yuan in apparel and clothing accessories, 560 million yuan in shoes, 400 million yuan in clocks and watches, 350 million yuan in metal manufactures, 180 million yuan in leather and leather goods and 275 million yuan in miscellaneous manufactures.

#### B. Import Breakdown (Based on Statistics from Producer Countries)

Imports of primary products amounted to 11.6 billion yuan during 1984, increasing by 150 million yuan over 1983 and accounting for 18.71 percent of China's total imports during the year. They include the following:

1. Imports of raw materials totaled 5.85 billion yuan, an increase of 920 million yuan over 1983, and included 1.65 billion yuan in cork and wood, 1.54 billion in textile fibers, 700 million in rubber, 710 million in metal ores, 620 million in pulp and waste paper, 190 million in natural fertilizers and minerals and 170 million in animal and vegetable raw materials.

2. Food imports amounted to 4.95 billion yuan, accounted for 7.99 percent of the total value of China's imports, declined by 110 million yuan from 1983 and included 3.99 billion yuan in grain and grain products, 570 million in sugar and sugar products and 100 million in coffee, tea, cocoa, spices and products made therefrom.

3. Mineral and fuel imports totaled 310 million yuan, rose by 94.23 million yuan over 1983 and included 130 million yuan in coal and 110 million yuan in petroleum and petroleum products.

4. Beverage and tobacco imports totaled 270 million yuan, increased by 180 million yuan over 1983 and included 240 million yuan in tobacco and tobacco products.



5. Imports of other products, such as feed, amounted to 200 million yuan.

Imports of industrial manufactures amounted to 50.43 billion yuan, rose by 9.71 million yuan over 1983, accounted for 81.29 percent of the total value of China's imports and included the following items.

1. Heavy industrial commodities, which amounted to 31.78 billion yuan, rose by 12.4 billion yuan over 1983, accounted for 51.23 percent of China's total imports and included 18.42 billion yuan in machinery and transport equipment, 9.77 billion in iron and steel, 2.81 billion in nonferrous metals, 440 million in nonmetallic-mineral manufactures and 330 million in metal products.

2. Chemical imports amounted to 9.38 billion yuan, rose by 320 million yuan in 1983, accounted for 15.13 percent of China's total imports and included 1.37 million yuan in organic chemicals, 3.75 billion in chemical fertilizers, 2.48 billion in synthetic resin, 760 million in chemical raw materials and products, 640 million in inorganic chemicals and 150 million in pharmaceuticals.

3. Light industrial and textile imports amounted to 9.26 billion yuan, rising 410 million yuan over 1983 and accounting for 14.93 percent of China's total imports, and included 2.16 billion yuan in thread and fabric; 530 million in paper, cardboard and products made therefrom; 420 million in cork and wood products; 180 million in dyes, tanning material and pigments; 120 million in leather and leather products; and 110 million in clocks and watches.

### III. China's Imports and Exports in 1984 by Country or Region

China's imports and exports totaled 120.1 billion yuan in 1984. Of this amount, Asia accounted for 70.19 billion yuan, or 58.5 percent, and was the leading region; Europe accounted for 22.21 billion yuan, or 18.5 percent; North America, 17.63 billion yuan, or 14.6 percent; Latin America, 3.68 billion yuan, or 3 percent; Oceania and the Pacific Islands, 3.11 billion yuan, or 2.6 percent; Africa, 2.73 billion yuan, or 2.3 percent; and other, 540 million yuan, or 0.4 percent. China's 10 leading trading partners during the year were Japan, Hong Kong and Macao, the United States, the FRG, Singapore, Canada, the Soviet Union, Australia, the United Kingdom and Brazil.

(1) 1984年我国进出口商品构成表 (2) 单位: 万元

(3) 目 项	(4) 出 口				(5) 进 口			
	1984		1983		1984		1983	
	(6)人民币	%	(6)人民币	%	(6)人民币	%	(6)人民币	%
(7) 总 值	6,805,571	100	4,383,272	100	6,204,680	100	4,218,247	100
(8) 初级产品	2,647,597	45.60	1,898,227	43.31	1,160,860	18.71	1,146,582	27.16
(9) 食品	796,808	13.72	597,717	13.64	496,805	7.99	605,696	14.38
(10) 饮料及烟草	24,477	0.42	20,497	0.47	27,490	0.44	9,185	0.22
(11) 工业用原料	438,402	7.55	319,875	7.30	585,319	9.43	493,572	11.70
(12) 矿物燃料	1,335,500	23.02	920,247	20.99	31,341	0.51	21,918	0.52
(13) 其他	51,410	0.89	39,891	0.91	20,905	0.34	15,211	0.36
(14) 工业制成品	3,157,974	54.40	2,485,045	56.69	5,043,820	81.29	3,072,665	72.84
(15) 重工业化产品	1,065,784	18.36	963,366	21.97	4,117,771	66.36	2,566,298	60.60
(16) 重工业产品	839,934	14.47	781,244	17.82	3,178,816	51.23	1,938,033	45.94
(17) 化工产品	225,850	3.89	182,122	4.15	938,955	15.13	618,285	14.66
(18) 轻纺工业产品	2,092,190	38.04	1,521,679	34.72	926,049	14.93	516,367	12.24

(19) 1984年我对部分国家(地区)进出口总值表 (20) 单位: 百万元

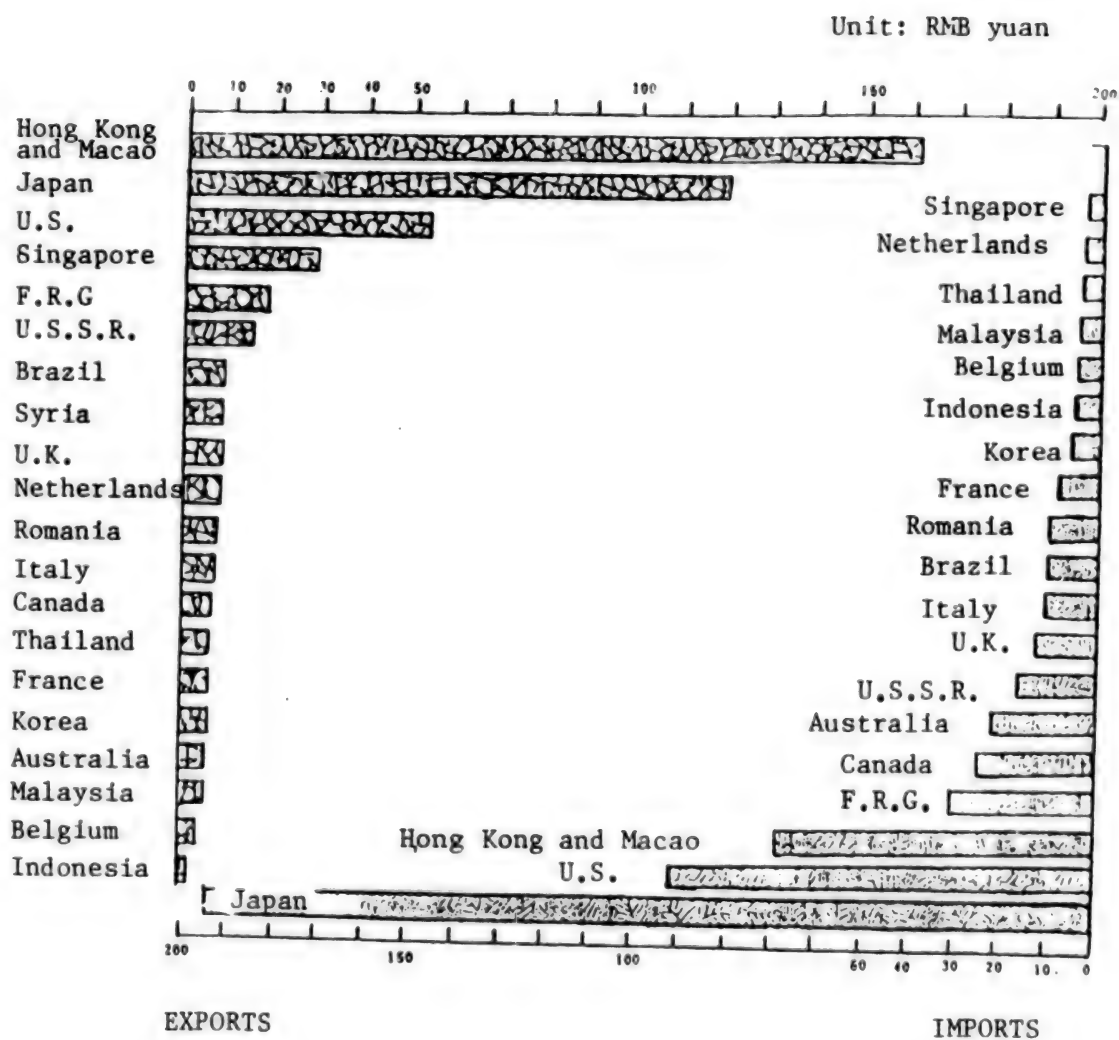
(21) 项 目	(22) 进出口总值		(23) 出口总值		(24) 进口总值	
	(6)人民币	%	(6)人民币	%	(6)人民币	%
(7) 总 值	120,102	100	58,056	100	62,046	100
(25) 其中: 20个国家和地区	100,866	84.0	47,825	82.4	53,031	85.4
(26) 日 本	31,364	26.1	11,946	20.6	19,418	31.3
(27) 香港、澳门地区	22,944	19.1	16,099	27.7	6,846	11.0
(28) 美 国	14,549	12.1	5,375	9.3	9,174	14.8
(29) 联邦德国	4,764	4.0	1,794	3.1	2,970	4.8
(30) 新加坡	3,263	2.7	2,902	5.0	361	0.6
(31) 加拿大	3,081	2.6	591	1.0	2,490	4.0
(32) 苏 联	2,976	2.5	1,379	2.4	1,597	2.6
(33) 澳大利亚	2,635	2.2	512	0.9	2,123	3.4
(34) 英 国	1,962	1.6	773	1.3	1,189	1.9
(35) 巴 西	1,899	1.6	897	1.5	1,002	1.6
(36) 意大利	1,758	1.5	706	1.2	1,052	1.7
(37) 罗马尼亚	1,718	1.4	707	1.2	1,011	1.6
(38) 法 国	1,376	1.1	539	0.9	839	1.4
(39) 朝鲜民主主义人民共和国	1,176	1.0	534	0.9	642	1.0
(40) 荷 兰	1,133	0.9	742	1.3	391	0.6
(41) 泰 国	1,007	0.8	591	1.0	416	0.7
(42) 马来西亚	927	0.8	459	0.8	468	0.7
(43) 叙利亚	829	0.7	805	1.4	24	
(44) 比利时	806	0.7	312	0.6	494	0.8
(45) 印度尼西亚	687	0.6	162	0.3	525	0.9

[Key on following page]

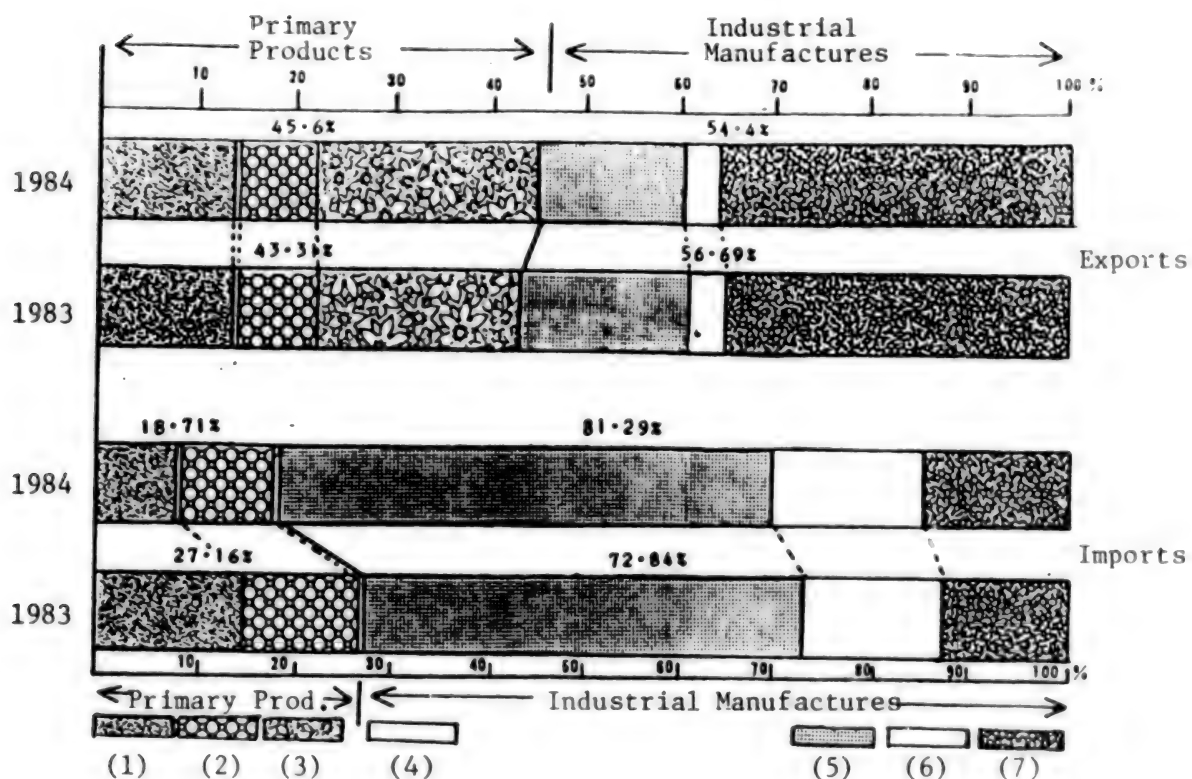
Key:

1. Breakdown of China's Imports and Exports during 1984
2. Unit: 10,000 yuan
3. Item
4. Exports
5. Imports
6. Value, in yuan
7. Total value
8. Primary products
9. Foodstuffs
10. Beverages and tobacco
11. Industrial raw materials
12. Minerals and fuels
13. Other
14. Industrial manufactures
15. Heavy industrial and chemical products
16. Heavy industrial products
17. Chemicals
18. Light industrial and textile products
19. Total Value of China's Imports and Exports to and from Selected Countries
20. Unit: 1 million yuan
21. Item
22. Imports and Exports
23. Exports
24. Imports
25. Total value for the following countries and regions
26. Japan
27. Hong Kong and Macao
28. United States
29. FRG
30. Singapore
31. Canada
32. USSR
33. Australia
34. United Kingdom
35. Brazil
36. Italy
37. Romania
38. France
39. Korean Democratic People's Republic
40. Netherlands
41. Thailand
42. Malaysia
43. Syria
44. Belgium
45. Indonesia

Distribution of China's Imports and Exports Among Selected Countries, 1984



# Breakdown of China's Imports and Exports During 1984



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## FOREIGN TRADE AND INVESTMENT

### PROSPECTS, TASKS OF EXPORT TRADE WORK DETAILED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese 27 Jun 85 pp 3-4

[Article by Yang Jixiao [2799 4949 1321]: "Prospects for China's Export Trade in 1985"]

[Text] China's imports and exports increased greatly in 1984, totaling \$49.97 billion, a rise of 22.7 percent over the previous year, which growth rate was the highest in more than 30 years. Of this total, exports amounted to \$24.44 billion and increased by 10.1 percent over 1983, and imports reached \$25.53 billion and rose by 37.8 percent over the previous year.

As for exports, not only did their total value increase greatly in 1984, but there were also changes in the commodity mix. Specifically, these changes showed up in the export of manufactures, which rose by 12.6 percent over the previous year and accounted for 54.4 percent of all exports, and of primary products, which increased by 24 percent and accounted for 45.6 percent of the total. Among the latter, agricultural and sideline industrial goods increased, with cotton changing from a net import in 1983 to a net export in 1984, and grain and exports of edible oil-bearing seeds showing a marked increase over previous years, due to successive annual rises in production. Exports of petroleum also increased markedly.

The following are the primary reasons for the growth in export trade last year. First, the general economic recovery experienced by Western developed countries and by some developing countries and regions enlivened demand in international markets and provided an excellent opportunity to expand our exports. Second, the gratifying conditions in domestic industrial and agricultural production enabled the national economy to make great advances and to provide more commodities for export. Third, domestic authority to engage in foreign trade was further decentralized; trade became more flexible and varied in form; we fully aroused the enthusiasm of the central government, localities and various departments for foreign trade; and thus gratifying achievements were made in the development of foreign trade.

China's export trade will continue to grow in 1985 at a rate not less than that of 1984 primarily because this is the final year of China's Sixth 5-Year Plan and the first year of the reform of the economic administration. Domestic industrial and agricultural production will continue to expand, and key

construction projects and technological transformation tasks are quite formidable. To ensure completion of the Sixth 5-Year Plan and continued economic growth, we still need to import complete sets of equipment, new technology and a certain amount of raw materials and marketed goods that are in short supply domestically. Only by striving to increase exports can we earn the additional foreign exchange needed to pay for these imports.

Completing and striving to exceed the export targets for 1985 will represent a very formidable task but will not be impossible. By formidable, I refer primarily to the changes in global economic growth and international markets during 1985. This year, economic growth has begun to slow in developed Western countries, and while demand in international markets has continued to increase, the rate of growth has markedly declined. Affected by the strength of the U.S. dollar, prices have declined, and for the rest of this year those for primary materials will fluctuate as they continue their general decline, while those for manufactures will hold steady. Thus with the slump in the world economy, sluggish demand in international markets, and falling prices, it will be difficult to expand our export trade. In addition, domestically, tight supplies of some raw materials, price increases and relaxation of controls over prices for agricultural and sideline industrial products will raise the costs of export commodities and increase financial losses on exports. These unfavorable factors will make it more difficult for us to expand exports. Yet we should also clearly recognize that the possibility of and the favorable conditions for completing and exceeding the export targets for 1985 exist objectively and include primarily the following. First, this is the first year of the reform of the economic administration, we are still readjusting the agricultural structure, industrial production will continue to show large increases and thus output of agricultural and sideline products as well as manufactures will continue to expand significantly. Moreover, product quality is also improving. These advances provide a reliable source of exports. Second, the reform of the foreign trade administration is gradually unfolding, and especially since the beginning of this year, administrative and enterprise responsibility in foreign trade have been separated, specific measures governing foreign-trade management have been issued and thus the enthusiasm of foreign-trade enterprises for exports will be more fully stimulated. Third, although economic growth in Western developed countries has slowed, the demand for imports in those countries will still show moderate growth.

Balancing the aforementioned factors that are favorable or unfavorable to the expansion of our export trade, and considering these in connection with the actual conditions of China's economic development, it is apparent that as long as we work hard, strive to transform as many unfavorable conditions into favorable ones as possible and seize opportunities to clinch export deals, we should be able to complete and exceed this year's export targets.

At present, we should strive to do the following work properly.

First, we should place great emphasis on "extraction" when we organize supplies of export commodities. While being sure to complete mandatory and guidance plans for export supplies, foreign-trade enterprises of all levels should extract more supplies of commodities, such as prawns, dried jellyfish

and woolen goods, that are not very essential to the national economy or the people's livelihood and that, though needed on the domestic market, enjoy even greater demand abroad. Those enterprises must resolutely carry out the principle that has proven very effective in foreign trade: having domestic sales serve sales abroad.

Second, we must place great stress on "rate" in making deals and fulfilling agreements. In general, the higher our contract-fulfillment rate, the more foreign exchange we earn. Thus it is essential that we seize opportunities to conclude deals. In addition to striving for more deals and greater exports at the Guangzhou Trade Fair, we should also set up small fairs for various commodities, send delegations abroad to promote sales, and stress making agreements through regular business correspondence. If we do our negotiation work properly and ensure that our contract-fulfillment rate remains above 85 percent, we are basically assured of completing this year's export quotas.

Third, we must stress "priority" in foreign-trade transport work. Transport is the link and bridge that joins production and consumption. Yet our domestic transport tasks are very formidable, for there is a great shortage of railroad freight cars, shipping capacity on inland rivers is small, and highway transport remains undeveloped. Thus foreign-trade enterprises must actively and closely cooperate with transport departments at all levels. And these departments, while properly linking train cars and freight, coordinating trains and ships, and increasing freight-car turnaround, should give priority to export commodities requiring immediate shipping and loading. We must ensure that export goods are shipped on time.

Fourth, in foreign-trade enterprise management, we must stress "results." Nearly 600 enterprises were allowed to handle their own exports once authority over foreign trade was decentralized, and foreign-trade enterprises must be attentive to cost accounting in their export work, both ensuring that export targets are fulfilled and stressing economic results. We must attach importance to improving enterprises' economic results. Neither stressing only the completion of export targets and ignoring the problem of financial losses nor considering only such losses and ignoring target fulfillment is acceptable. Only by doing both, by completing targets and improving enterprise economic results, can we meet the demands of the state with respect to export enterprises. At all levels, such enterprises must conscientiously stress management and strive to earn more foreign exchange and reduce losses.

Fifth, we must stress "speed" in foreign-trade survey work. The world economy, the international market, and monetary and financial conditions all could change at any time this year, and monetary and financial conditions and the international market, especially, are likely to undergo big changes. Thus foreign-trade survey departments, while properly conducting their semiannual forecasts, should provide timely information on foreign economies, trade, finance, money, market prices, profit returns and the like to departments in charge of foreign trade enterprises so as to promote export guidance work.

Sixth, administrative departments in charge of foreign trade should stress "completeness" in their work. Now that administration and enterprise have been separated, the primary work of such departments in terms of this year's plan

fulfillment should involve inspecting and supervising the implementation of the general principles and policies relating to foreign trade. In this year's export work, foreign-trade departments at both the central and local levels, especially local departments and enterprise units, should keep general interests in mind when dealing with problems. This approach is even more important when one confronts intense competition in international markets and when management of foreign trade and exports is diversified and decentralized. We must properly handle the relationships between the general and the particular and the microscopic and the macroscopic. This is an important part of ensuring fulfillment of this year's export targets.

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GUANGZHOU TO HOLD SEMINARS ON CHINA TRADE

HK080708 Beijing ZHONGGUO XINWEN SHE in Chinese 602 GMT [as sent]  
7 Oct 85

[Text] Guangzhou, 7 Oct (ZHONGGUO XINWEN SHE)--The consultation services company of the Guangzhou Foreign Trade Center and the International Conference Service Corporation of the United States will hold two seminars on opportunities in China trade during this year's autumn export commodity fair in Guangzhou.

According to the sources, the two seminars will be held respectively on 14 and 26 October. The lecturers from the Chinese side will include Su Jiashou, section chief of the Trade Management Bureau of the Ministry of Foreign Economic Relations and Trade; Lu Yongkuan, section chief of the Foreign Investment Management Bureau; and Guo Weiqiang, deputy chief of the propaganda and exhibition office of the China Export Commodity Fair. The lecturers from the U.S. side will include Ms. Ye Ying, commercial consul of the U.S. Consulate General in Guangzhou and lawyer Maikenqi [7796 5146 7871]. They will talk about such topics as China's modernization process, China's efforts to attract foreign investment, China's trade institutions, opportunities, trade methods, and relevant legal questions. It is expected that some 100 businessmen from the United States, Britain, Japan, Spain, Italy, the FRG, and Hong Kong will attend the seminars.

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FOREIGN TRADE AND INVESTMENT

NEI MONGGOL ACHIEVEMENTS IN FOREIGN TRADE

Policy on Opening to Outside World

SK040053 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT  
2 Oct 85

[Text] During the implementation period of the Sixth 5-Year Plan, our region has achieved great development in foreign trade under the guidance of the policy on opening to the outside world and enlivening the domestic economy. According to statistics compiled by the department concerned, by the end of 1984, the region's total value of exported commodities had reached more than 78 million yuan, a 200 percent increase over the figure of 1980, showing a yearly average increase of 31.2 percent. The region not only prefulfilled by 1 year the target set forth by the Sixth 5-Year Plan for foreign trade, but also has greatly overfulfilled the target of the yearly average increase of 8.1 percent.

In 1985, our region's trade relationship with foreign countries has achieved more and more progress. The total value of the three major exported commodities has surpassed the target of \$10 million. Of these commodities, the value of grains, oil-bearing seeds, and food-stuffs has reached more than \$20 million, a 57 percent increase over the figure of 1980; the value of indigenous and animal products, more than \$26 million, a 460 percent increase over the figure of 1980; and the value of hardware and minerals, more than \$11 million, a 58 percent increase over the figure of 1980.

More Foreign Investment Attracted

OW230804 Beijing XINHUA in English 0744 GMT 23 Sep 85

[Text] Hohhot, 23 Sep (XINHUA)--Some dozen companies from the United States, France and Japan are bargaining to introduce technical programs with businessmen of this capital city of the inner Mongolia autonomous region.

The region agreed to establish four joint ventures, two compensation trade projects and nine lease programs in the first eight months of this year.

By the end of last year, the region had used U.S.\$27 million of foreign investment to expand its wool-spinning, plastics and feeder industries. British and Hong Kong businessmen have installed wool-spinning machinery including 4,800 spindles, which will increase the region's capacity by 1.5 million meters of fabric every year.

In addition, a production line imported from Japan helps process beet waste into animal feed, of which 1,000 tons a year is exported.

The construction of some other imported projects, including a lactic acid fermentation center and a production line with an annual capacity of preserving two million liters fresh milk are under way.

The region is also seeking more investments to build a local railway line Jining to Tongliao which will be the longest local railway line in northern China.

Meanwhile, the region is focusing on technical and economic cooperation with other provinces. As a result, 206 items of economic cooperation which were signed in the first half of this year in the fields of building materials, coal, and light industry are being implemented.

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## FOREIGN TRADE AND INVESTMENT

### JILIN ACHIEVEMENTS IN FOREIGN TRADE

SK030547 Changchun Jilin Provincial Service in Mandarin 1030 GMT  
2 Oct 85

[Text] During the implementation period of the Sixth 5-Year Plan, our province has achieved great development in economic relations with foreign countries and created an obvious turn for the better in foreign trade. The province has also achieved rapid development in utilizing foreign capital and progressed in offering labor forces to foreign countries, and enjoyed more and more flourishing business in tourism.

During the period, the number of foreign countries and regions that have had trade relationship with our province has reached 65. Of these countries and regions, the volume of trade between the province and Japan, the United States, the Soviet Union, Malaysia, Singapore, and Hong Kong has been larger and the growth of trade with them has been rapid. The volume of trade with Japan has shown a yearly average increase of 59.7 percent; with the United States, 56.3 percent; and with the Soviet Union, 77.4 percent.

Along with the implementation of the open policy, our province has made a faster progress in utilizing foreign capital and introducing advanced technology and equipment. The province has signed 51 contracts over the past 5 years and introduced \$40 million of foreign capital.

During the period, our province has entered the international markets of labor forces. Over the past years, the province has dispatched more than 1,000 engineering technicians and workers to foreign countries each year. At present, our province has five hotels and guest houses available for foreign tourists with some 800 beds available. During the period from 1981 to present, the province has received more than 50,000 foreign tourists at each quarter. As of 1984, the province earned more than 3 million yuan from tourism. By the end of 1985, the province will earn 5 million yuan from this regard.

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## FOREIGN TRADE AND INVESTMENT

### XINJIANG'S FOREIGN TRADE DEVELOPS VIGOROUSLY

HK070213 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 30 Sep 85

[Text] The region's foreign economic relations and trade have vigorously developed. According to statistics, our region has so far established direct economic and trade relations with more than 50 countries and regions on 5 continents. The region's total volume of foreign trade was more than U.S.\$236 million, ranking first in the five northwestern provinces and regions. It has also registered another big increase in foreign trade this year.

Xinjiang had only about a dozen export commodities in 1950 and the number has increased to more than 170 since then. The structure of the export commodities has also switched from exclusively agricultural, sideline, and special products to other fields, such as textile, machinery, light industrial products, hardware, and minerals. The export volume of industrial products now accounts for more than 40 percent of the total export volume for the whole year.

In recent years, under the guidance of the policy of opening up to the outside world and invigorating the domestic economy, and in line with the autonomous powers laid down in the regulations on regional national autonomy, the autonomous region has restored and developed trade with the Soviet Union, expanded border trade with Pakistan, opened up new markets by airlifting live sheep to the Middle East countries, and developed direct export trade with Hong Kong, Macao, and other areas lying far across the ocean, thus adding new vigor and vitality to the ancient silk road.

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## FOREIGN TRADE AND INVESTMENT

### METHODS OF EVALUATING FOREIGN TRADE RESULTS DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese 27 Jun 85 pp 7-8

[Article by Zhou Shaowu [0719 4801 2976]: "An Examination into How To Evaluate the Economic Results of Foreign Trade"]

[Text] Foreign trade is first of all a form of economic activity and as such must place emphasis on economic results. It should undertake the international exchange of commodities produced domestically with the least amount of labor and material expenditure in return for the largest amount of socially needed products. The economic results of foreign trade are expressed in the form of exports and imports.

When evaluating the economic results of foreign trade, we should effectively combine the expressions for the economic results of use value and of value, of circulation and of production, and of microeconomic and macroeconomic levels. That is to say, we must not only be attentive to the results of the exchange of use value but also to those of the exchange of value; we must stress the results of both circulation and production; and we must pay attention both to microeconomic and to macroeconomic results.

Based on the above understanding, I believe that the indicators we currently employ to assess the results and economic benefits of foreign trade operations are not fully representative, because those indicators measure only a few of the economic results of circulation. Thus, while continuing to employ these indicators, we should appropriately add indicators that are more comprehensive.

I wonder if we might not be able to use the following indicators to express the economic results of foreign trade.

#### 1. Profit Rates for Export Commodities

The formula for computing this indicator is:

$$m = A - (C + V) \quad (1)$$

where m represents profits, A net earnings of foreign exchange from exports, C domestic material expenditure, and V labor expenditure.

Profits, m, represent the economic gains (or losses) an export commodity



brings to the entire society (that, is the nation). But this merely reflects the absolute value of those gains and does not represent macroeconomic results, the magnitude of society's gains. The latter can be expressed with the profit rate as follows.

$$P' = \frac{m}{C + V} \quad (2)$$

Using the above indicators, we can determine which export commodities are beneficial to the nation and should be developed and which are not and should be reduced or not exported. In addition, by comparing the results derived through computations made using formula (2) with the foreign-exchange earnings of export commodities, we can determine which exports incur real losses ( $P'$  is negative) and which show false losses ( $P'$  is positive), illuminate the contradictions between macroeconomic and microeconomic results and spur readjustment of the production and export policies for certain commodities.

Naturally, equations (1) and (2) can also depict the aggregate economic results of a given region or enterprise.

## 2. Profit Rates for Import Commodities

In addition to import commodities that perforce are arranged for political considerations or that cannot be or are insufficiently produced domestically, we should assess the profitability, with respect to the nation, of each commodity that is produced domestically so as to reduce expenditure of social labor. This latter desideratum can be computed with the following equation.

$$m = (C + V) - B \quad (3)$$

Here,  $B$  represents the total cost of importing similar goods; the other symbols are the same as those in equation (1). As above, we should also compute the profit rate:

$$P' = \frac{m}{B} \quad (4)$$

As above, we can use equations (3) and (4) to compute the profit rates for both a given commodity and for a given region or enterprise. Of course, the profit rates of commodities for which there are no suitable indicators cannot be computed.

By combining indicators computed with equations (2) and (4), we not only can more fully and comprehensively evaluate the economic results of foreign trade, but we can also employ the results derived thereby as bases for the readjustment of import and export mixes and of the distribution and arrangement of domestic production. This approach will also help us, in terms of strategy and unified planning, to improve the management of, the preparation of operational strategies for, and the economic results of foreign trade, and to give full play to the strategic role thereof.

### 3. Rates of Exchange

Rates of exchange comprehensively reflect the direction and magnitude of the effects on China's economic earnings of price changes on the international market:

$$P'' = \frac{P'_A}{P'_B} \quad (5)$$

where  $P''$  represents the exchange rate,  $P'_A$  the export price index, and  $P'_B$  the import price index. (The formula for computing  $P'_A$  and  $P'_B$  is:

$$\frac{\sum P_{1q1}}{\sum P_{0q1}}$$

where  $q$  is the commodity volume.) When  $P''$  is greater than 1, then the rate of exchange is beneficial to China. Where  $P''$  is less than 1, the exchange rate is unfavorable.

Using the following equation, we can specifically compute China's gains (or losses) in foreign currency from the price changes during a given year.

$$\left(X_A - \frac{X_A}{P'_A}\right) - \left(X_B - \frac{X_B}{P'_B}\right) \quad (6)$$

Here,  $X_A$  represents the amount of exports during a given year, and  $X_B$  the surplus [as published] of imports during that year. The value enclosed in the first set of parentheses expresses the amount of foreign currency China gains (positive) or loses (negative) in her exports as a result of price changes. And the value of the second set of parentheses expresses the amount of foreign currency China gains (negative) or loses (positive) from her imports as a result of price changes. The difference between the two values indicates the total amount of foreign currency China gains (positive) or loses (negative) from both her imports and exports due to price changes.

The relationship among the above equations is as follows. The results computed in equations (5) and (6) are already reflected in equations (1) and (2) and equations (3) and (4), cannot be used alone to express the actual economic results of imports and exports, but can be employed to reflect from another angle changes in and to supplement the evaluation of economic results. Under certain conditions, when we already know the economic results of imports and exports for the previous period and when it is inconvenient to compute data for the current period, the results derived from equations (5) and (6) can be used to represent the magnitudes and directions of changes in economic results.

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FOREIGN TRADE AND INVESTMENT

QUALITY OF JAPANESE IMPORTED CARS DECLINES NOTICEABLY

SK081057 Jinan DAZHONG RIBAO in Chinese 19 Sep 85 p 2

[Excerpts] According to the information supplied by the Shandong Import and Export Commodity Inspection Bureau, the quality of the vehicles imported from Japan has declined noticeably since the beginning of this year. For example, Qingdao's Zhongqing Bus Renting Company imported 60 "Toyota Crown" sedans and vans this year. After being used for merely a month with the average mileage of only 3,000 kilometers, the rear wheels of 44 of these sedans and vans were found to sway to a serious extent. From April to July, five vehicles of the four groups of imported vehicles (including four "Nissan" trucks) suffered sudden windshield breaking when they were riding without loading at normal speed on smooth roads. Mechanical accidents such as breakdown of gears of the gear boxes and burning of starting motors are often discovered among imported Japanese cars. A lack of supplementary tools is also a serious problem. All the 126 "Nissan" trucks which were shipped on 1 February this year by the "Annuo" ship had no supplementary tools. Although certificates were issued to the foreign country in a timely manner for compensation, this directly affected the allocation and use of the vehicles.

The Shandong Import and Export Commodity Bureau called on various departments which accept and use the vehicles to strengthen ties with commodity inspection departments in order to inspect and prevent the import of low-quality vehicles in a timely manner and safeguard the economic interest of our country.

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## FOREIGN TRADE AND INVESTMENT

### METHODS FOR EXPANDING DRAWNWORK, EMBROIDERY EXPORTS

Beijing GUOJI MAOYI [INTERTRADE] in Chinese 27 Jun 85 pp 5-6

[Article by Zhang Pingfeng [1728 1627 0023]: "A Discussion of Several Problems Concerning the Expansion of Drawnwork and Embroidery"]

[Text] China's drawnwork and embroidery are traditional, practical craft goods that consist primarily of hand-made, hand-woven and lace-edged goods; that boast a long history, exquisite workmanship and unique style; and that are very popular among consumers both at home and abroad. These goods are sold to more than 100 countries and regions, particularly Hong Kong, Macao, Italy, Japan, Switzerland, Spain, Canada, the United States, Australia, Kuwait and Saudi Arabia, which account for 80 percent of China's exports of these goods. The export value of these goods reached a record level in 1981, at \$462 million, when these goods formed China's sixth largest category of export commodities.

As hot-selling exports, how should drawnwork and embroidery be further consolidated and developed in these new circumstances? This question merits examination.

#### I. An Analysis of the Characteristics of Drawnwork and Embroidery

##### A. The Managerial Characteristics of Drawnwork and Embroidery

1. Drawnwork and embroidery are labor-intensive goods and are characterized by a small investment requirement, a yield of quick results and easily imparted and mastered technical skills. In addition, China possesses a large pool of skilled workers in this field, costs are low, domestic production thus possesses great potential, and it is estimated that annual production could reach 2-plus billion yuan.

2. Domestic and foreign sales of drawnwork and embroidery are hard to coordinate properly. Because of limitations caused by traditional domestic consumption habits and levels, these goods have always been primarily marketed abroad. For example, ordinary tablecloths earn prices of up to 100 yuan abroad but only 25-50 yuan domestically.

3. In recent years, China has exported \$250 million worth of hand embroidered and hand woven goods annually, accounted for more than 80 percent of the total world volume for these goods and occupied the leading role in the international market. Portugal, Italy, Spain, Belgium, Japan, Hungary, Yugoslavia, the Philippines, India, Pakistan and Vietnam also export a certain amount of these goods.

#### B. The Demand Characteristics of Drawnwork and Embroidery

Drawnwork and embroidery serve as both handicrafts and functional goods, and the former feature is more important than the latter. For these goods generally, the ratio between the values of raw materials and craftsmanship applied is roughly 2:3, and for completely handworked, high-grade embroidered and woven goods the ratio is 1:3. China's drawnwork and embroidery consist principally of high-grade handworked goods that are not daily necessities. The international market for these goods is limited and greatly affected by economic health, and the market is largely concentrated in developed countries and regions. Some countries treat drawnwork and embroidery as luxuries or sensitive commodities and levy heavy customs duties or place import quotas on them. For example, Brazil places a 150-percent duty on some of our drawnwork and embroidery, and the EEC, one of the leading markets for our drawnwork and embroidery, limits imports of these goods to 4,000-plus tons annually (treating them as textiles).

#### C. The Status of China's Drawnwork and Embroidery in the Product Life Cycle

Like animals and plants, products experience a life cycle of genesis, growth and decline.

In general, it appears that, in terms of the development China's drawnwork and embroidery, the market has already reached maturity. These products have been exported for nearly 100 years, and the market is approaching saturation. If we wish to increase our sales volume, we will have to win greater market share from our competitors, develop new products and create new uses for old ones. China possesses a rich pool of skilled labor and exquisite craftsmanship, and if we exploit these advantages, the prospects for the expansion of our drawnwork and embroidery exports will be bright.

### II. We Must Strive To Expand Exports of Drawnwork and Embroidery

#### A. In View of the Managerial Characteristics of Drawnwork and Embroidery, We Must Continue To Promote Joint Ventures

The managerial characteristics of and the limited and concentrated nature of the market for our drawnwork and embroidery, as discussed above, objectively necessitate a strengthening of macroscopic, centralized guidance and the creation of a plenipotentiary agency to effect, on behalf of the state, unified management and a general overall balance before we can achieve a unified policy and a joint stance vis-a-vis the outside world. The China Joint Drawnwork and Embroidery Export Co, established in 1983, has registered achievements in this area. For example, the Shanghai Joint Drawnwork and Embroidery Co--which is an integrated economic entity that was created when a



number of enterprises in the same trade but from different regions combined voluntarily, is centered on the port of Shanghai, specializes in foreign trade, and is operated jointly by Jiangsu, Zhejiang and Shanghai--has served to unify foreign transactions and avoid the lone-ranger approach in management and price-slashing competition. The entities involved in this company have persisted in using sales to set production and in coordinating production and marketing, striven to reduce inventories and greatly increased economic results. In 1984, exports were \$113 million, an actual increase of 5 percent over 1983.

#### B. We Must Take into Account the Nature of the Demand for Drawnwork and Embroidery and Conduct Detailed Market Research

Drawnwork and embroidery are both handicrafts and functional goods, and they are primarily marketed abroad. Thus we must orient ourselves to the world market, survey demand characteristics and consumption motives, group together similar types of demand, conduct detailed market research, and then exploit our advantages in terms of human, material and financial resources and utilize combinations of marketing factors. That is to say, we must organically integrate prices, markets, channels and promotional measures so as to satisfy customer demand. For example, following Japan's postwar economic takeoff, consumption levels rapidly rose, and, most importantly, the lifestyle of the younger Japanese generation became more Westernized, all of which developments increased opportunities for Japanese to use drawnwork and embroidery and created great market potential for these goods. Yet this demand is characterized by "many products, small quantities and rapid change in product popularity." Gift giving is very prevalent in Japan, and the usual value of gifts is generally less than 10,000 yen, predominantly being between 3,000 and 5,000 yen. In view of these characteristics, if we can correctly determine style fashionability and marketability, design products that meet demand and tastes, produce in small lots, integrate product design with Japanese customs and habits, and hold unit costs for certain product grades between 3,000 and 5,000 yen, we can greatly increase sales to Japan.

#### C. We Must Seek Survival through Quality and Growth through Innovation

The market for drawnwork and embroidery is almost saturated, and the present stage is crucial for China's drawnwork and embroidery. Thus we must continually improve product quality, vigorously create new products, and add new uses for old products so as to preserve product vitality and extend the length of market maturity for products.

1. We can organize key research programs to determine how to further integrate traditional Chinese drawnwork and embroidery, and European hand embroidery and lace trimming, and strive to create products using new materials, new lace patterns, new designs and new techniques.

2. Under the proper conditions, we must preserve hand embroidery and weaving and strive to develop machine embroidery. Hand embroidery and hand weaving form major components of Chinese drawnwork and embroidery and, while trying to improve them, we should also seek selectively to preserve them so that they become both prized and functional and excellent in both quality and price. At

present, we should, where necessary, eliminate a number of old products that have no potential for future growth, limit the number of hand-embroidered and hand-woven goods, retain the integrity of these goods, and appropriately increase wages.

Compared to hand embroidery, machine embroidery is much faster; produces smaller and more accurate stitches, tighter lines and thinner surfaces; creates greater artistic charm in moving patterns; and, most importantly, reduces costs. Yet China is relatively backward in machine embroidery and weaving. Thus it is urgent that we rapidly develop machine embroidery and weaving and change the drawnwork and embroidery product mix.

3. We must advance toward multifunctionality and add new uses to old products. In modern architecture abroad, one wall is comprised almost totally of glass, which is covered with two layers of curtains. The outer curtain is made of drawnwork and embroidery, is always drawn shut, and generally serves three functions. First, it prevents people on the outside from seeing in but permits those inside to see everything outside. Second, the raised embroidery and unstitched areas created a mesh-like structure that refracts and softens sunlight, making writing and reading less irritating to the eyes. Third is the beauty of lacework design. Thus it may be said that, for these products, functionality is more important than artistry. Our producers, it seems, should cooperate with optical research institutes and develop lacework designs that refract as much sunlight as possible and that are as aesthetically pleasing as possible.

4. We must establish market information and feedback systems so as to improve product marketability. Competition in modern international markets is actually a battle of information. Thus the establishment of market information and feedback systems forms an important part of export strategy for drawnwork and embroidery. For this reason, we should consider establishing a national drawnwork and embroidery information exchange center and a national lacework design center.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

CLAIMS DAMAGES COMPENSATION--The Guangxi Regional Commodity Inspection Bureau has firmly grasped the work of inspecting imported goods. In the first half of this year, the bureau discovered 40 cases of inferior quality imported goods. Some imported goods were fake. They have claimed damages and demanded compensation of 1.38 million yuan from foreign and Hong Kong businessmen. [Excerpt] [Nanning Guangxi Regional Service in Mandarin 1130 GMT 19 Sep 85]

U.S. BUSINESSMEN MET--Yesterday Shanghai Mayor Jiang Zemin met with some members of a delegation from the San Francisco Chamber of Commerce led by Gordon Swanson and Shen Jianbai. The San Francisco Chamber of Commerce delegation was composed of representatives from the banking, law, industrial, and commercial circles. At the meeting the two sides held friendly conversations in a warm atmosphere. They discussed the further expansion of trade and economic cooperation between Shanghai and San Francisco. Present on the occasion were responsible persons of the departments concerned, including Qian Xuezhong, Zhang Anyou, Jia Zhenzhi, and Xu Pengfei. Since the delegation arrived in Shanghai a few days ago, it has held business consultations and has discussed some cooperative projects with more than 20 units, including the Shanghai Branch of the China Council for Promotion of International Trade, the Shanghai Investment and Trust Company, the Shanghai Branch of the Bank of China, and the Shanghai Daily Use Hardware Corporation. [Text] [Shanghai JIEFANG RIBAO in Chinese 1 Oct 85 p 3]

XINJIANG TRADE FAIR--More than 100 economic and technical cooperation contracts and letters of intent, worth \$169.98 million and 49 foreign trade contracts, worth over \$10 million, were signed in 17 days of an August trade fair in Xinjiang. [Summary] [Beijing XINHUA Domestic Service in Chinese 0127 GMT 13 Sep 85]

SHANGHAI FOREIGN INVESTMENT--By the end of September, suburban Shanghai had approved 22 joint ventures and cooperation projects, taking in a total of some U.S.\$42 million in foreign capital. Two-thirds of joint ventures in suburban Shanghai are in the area of light industry, textiles, and pharmaceuticals. Foreign capital comes from Hong Kong, the United States and countries in southeast Asia. [Summary] [Shanghai City Service in Mandarin 2300 GMT 1 Oct 85]

CSO: 4006/155

## LABOR AND WAGES

### CIRCULAR STRESSES VOCATIONAL TRAINING

OW220505 Beijing XINHUA Domestic Service in Chinese 1147 GMT 21 Oct 85

[Excerpts] Beijing, 21 Oct (XINHUA)--The Ministry of Labor and Personnel, the China Democratic National Construction Association, and the All-China Federation of Industry and Commerce recently issued a circular to their local organizations at various levels, calling on them to step up cooperation in conducting vocational and technical training.

According to statistics, local organizations of the association and the federation at various levels have set up, either on their own or through cooperation with departments concerned, a total of 4 schools (colleges and classes) of higher learning, 13 specialized secondary schools, some 90 spare time schools and vocational and technical schools, and some 2,500 vocational and technical training classes, with an enrollment of over 300,000. The circular points out: Over the past few years, local organizations of the association and the federation have coordinated with labor departments in developing collective economy, placing personnel waiting for jobs in cities and towns, and conducting various forms of vocational and technical training.

The CPC Central Committee's decision on reform of the education system points out: We must vigorously develop vocational and technical education by encouraging collectives, individuals, and other social institutions to set up various kinds of vocational and technical schools either on their own or in cooperation with education or other departments. Last July, the Ministry of Labor and Personnel called a national work meeting on vocational and technical training and put forth opinions and measures for implementing the decision on reform of the education system. Most members of the association and the federation have been engaged in operation and management of industrial and commercial undertakings for a long time, while others have been engaged in vocational education for many years. They have accumulated rich experience and knowledge.

The circular calls for attention to the following:

1. Labor departments and organizations of the association and the federation at various levels should, in accordance with the central authorities' guidelines, step up contacts and closely cooperate with each other to expand the scale of vocational and technical training.
2. Labor departments and organizations of the association and the federation in various localities should take the initiative to coordinate the work and provide to youths awaiting jobs in cities and towns; they should set up various schools at various levels according to the actual situation in each locality in order to train workers with lofty ideals, morality, general knowledge, and discipline, as well as a certain degree of specialized knowledge and skills, for the modernization program.
3. Youths awaiting jobs in cities and towns may undergo training first at labor service companies or enterprises run by local organizations of the federation where they can obtain practical experience in production and management; then, they may attend vocational schools. This method of training skilled personnel, which combines schooling with production, service, and management and apprentice training with vocational training, is economically efficient.
4. Local organizations of the association and the federation should further mobilize their members to bring into full play their management experience and production technical know-how in giving vocational and technical training.
5. In conducting vocational and technical training, the association and the federation should fully utilize their strong points while avoiding weaknesses, make good use of omissions and deficiencies, advance steadily, and stress actual results.
6. Labor departments and organizations of the association and the federation in various localities should exchange information and experience in their teaching programs and in management.

CSO: 4006/147



LABOR AND WAGES

BRIEFS

HEBEI YOUTH EMPLOYMENT--From 1981 to the first half of 1985, Hebei Province provided jobs for 867,000 urban youths, accounting for 85.77 percent of the total job-waiting youths during that time. It is estimated that by the end of this year, another 80,000 jobless youths will be provided with jobs, accounting for 93 percent of the total. In this way the problem of employing urban youths will be alleviated. At present the job-waiting rate of urban youths has dropped from 1.7 percent in 1980 to 0.69 percent. In most areas of the province, more than 70 percent of urban youths can be provided with jobs the same year they graduate from schools. [Summary] [Shijiazhuang HEBEI RIBAO in Chinese 23 Sep 85 p 1]

JIANGXI VOCATIONAL EDUCATION--Jiangxi Province has made headway in the development of secondary vocational and technical education. By the end of 1984, the province had 234 vocational schools while 264 ordinary secondary schools ran various vocational classes. Some 60,000 students attended vocational schools or classes. Courses on agriculture, forestry, electrical appliances, sewing, finance and accounting, gardening, cooking, and good processing are provided. The student population of the vocational and technical schools made up 27.7 percent of the total number of senior middle school students. With the beginning of the new school year in 1985, the percentage of vocational and technical school students will rise to 40 percent. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 30 Sep 85]

CSO: 4006/147

TRANSPORTATION

BRIEFS

NANJING DEEPWATER DOCK--Wuhan, 22 Oct (XINHUA)--A new deepwater dock with a capacity of 25,000 dwt has been put into operation in Nanjing Port on the lower reaches of the Yangtze River, the longest in China. Thus, on the river now there are 48 deepwater docks, which can accommodate ocean-going freighters with a capacity of over 5,000 dwt. Ocean-going freighters can now go directly into those large ports in the middle and lower reaches of the river. Five years ago, along the 6,300 km river there were only 28 such docks that could accommodate cargo ships with a capacity of 5,000 to 10,000 tons. Last year, the Yangsi [name as received] Harbour, with a capacity of handling up to 1 million tons of cargo annually, was set up in Wuhan City, the capital of Hubei Province on the river. A Japanese cargo ship with a capacity of 9,000 tons called at the harbor at the end of September last year. Some 1.95 million tons of imports and exports were handled by the ports along the river in the first 9 months of this year, double the figure for the same period of last year. [Text] [Beijing XINHUA in English 1307 GMT 22 Oct 85 OW]

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CSO: 4020/48

ECONOMIC RESULTS OF USSR FOREIGN TRADE ANALYZED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese  
May-Jun 85 pp 39-43, back cover

[Article by Sun Xiufeng [1327 4423 1496]: "Preliminary Analysis of USSR's Foreign Trade Economic Results"]

[Text] In the mid-1960's the economic development strategy of the USSR began to change from extensive to intensive. Improving the economic results of various departments in the state economy became the core of this development strategy. The 26th CPSU Congress stressed: "The mission of planning and economic organizations is to constantly study how to improve results from foreign economic ties and to accelerate technological progress and win time by saving human and material resources." In recent years the USSR's foreign economic and trade relations have developed quite a bit. Trade partners are continuously increasing and trade relationships are multiplying each day. Under these circumstances the question of how to further improve the results of foreign economic trade activities has attracted the Soviet leadership's high regard. The Soviet Union has adopted a series of measures to improve foreign economic trade planning, perfect foreign economic trade administration, reform the foreign trade system and strengthen economic accounting. It has formulated and is continuously improving and examining the economic results indices of foreign trade.

What are the economic results of foreign trade? What are the standards for evaluating them? These are the first questions to be resolved when analyzing the economic results of foreign trade. Soviet academic circles have been discussing these questions for the past 20 years. Because there is no consensus about the position and role of foreign trade in the state economy, there are basically three opinions about the meaning of and evaluation standards for the economic results of foreign trade.

Some economists hold that "results" are in themselves a category of value, a comparison between gains and losses. The economic results of foreign trade similarly are a category of value. They refer to the amount of domestic social labor that is conserved by a country's exchange of foreign goods. By exporting absolutely or relatively superior goods that it produces and importing goods that are absolutely or relatively inferior at home and utilizing the difference between the domestic and international value of the

goods, a country conserves domestic production expenses, increases state revenues and gains economic benefits.

Other economists stress that the goal of production in socialist countries is not to seek profits. The goal is to satisfy the peoples' daily-increasing material, cultural and livelihood needs to the utmost. The goal of foreign trade is not to acquire value but to acquire use value. The economic results of foreign trade must be determined by the profitability of the goods for society. They feel that use value is measurable. Use value has many parameters. The profitability of a certain good for society is determined by its parameter variables and by various natural and economic indices of the good itself. The profitability of a good can only appear during consumption. Thus, the economic results of a good is the economic effect of the consumer's consumption of that good.

Still other scholars point out that the economic results of foreign trade should be examined from the common principles of value and use value. They feel that, on the one hand, when exchanging foreign goods businesses must strive to get the most results possible with the least expenditure of labor, thereby conserving domestic production expenses, while on the other hand, they must also consider whether the import or export product mix is identical with the needs of domestic production and the people, and the effects of its satisfying the needs of the economy.

The leadership strata of the Soviet Union emphasized that the economic results of foreign trade must be examined in light of their influence upon the development of the entire state economy. The former chairman of the Council of Ministers, Kosygin, stressed at the 24th CPSU Congress that the Soviet Union must "handle the question of developing foreign economic ties beginning from the results of foreign trade ties for the entire state economy and not from the viewpoint of a particular department." This philosophy became the basis for formulating a foreign trade economic results index system.

#### I. The Foreign Trade Economic Results Index System

After many years of research and study, Soviet academic circles, the State Planning Commission and the Ministry of Foreign Trade formulated a group of indices for assessing the economic results of foreign trade. In 1968 the Soviet Council of Ministers promulgated "Provisional Methods for Determining the Economic Results of Foreign Trade." It published the "Provisional Regulations for Calculating the Economic Results of Specialized Production and Cooperation Among CEMA Member Countries" in 1973 and formulated the "Methods for Appraising the Economic Results of Foreign Economic Ties" in 1980. These documents provided certain rules to calculate the results of foreign economic relations. The key points are introduced below.

The documents stipulate that two kinds of indices must be used when making an economic analysis of imports and exports, the foreign exchange coefficient index and the absolute results index. The foreign exchange coefficient index is further divided into an export and an import foreign coefficient index. The export index is a kind of comparison between the foreign exchange income

derived from exporting the good and the domestic production cost of that good. It indicates the amount of foreign exchange income that can be earned by the state's export of a good per unit of the state's economic cost. That is, how much foreign exchange is returned per unit of national currency. The higher the export foreign exchange coefficient is, the more foreign exchange returned per unit of national currency and the higher the export results. The import foreign exchange coefficient is a comparison between the domestic price of an import or import-substitute good and the foreign exchange expended to purchase that good. When studying import plans, the highest import foreign exchange coefficient index has the highest import results. When choosing a plan to substitute domestic goods for imports, the most beneficial plan is one with the lowest foreign exchange coefficient.

Foreign trade occurs in the course of the interdependent relationships of importing and exporting. The foreign exchange coefficient index can only explain the cost of exchanging currencies. It cannot explain whether the foreign exchange used to purchase imported goods can conserve social labor or the absolute amount of social labor saved. It can determine the relative but not the absolute results of exchanging various goods. Therefore, when making an economic analysis of imports and exports it is necessary to use the absolute results index of imports and exports in addition to the foreign exchange coefficient. The foreign exchange coefficient index can only be used in trade with an international bloc in which a certain country or import and export structure is similar, foreign trade price levels are the same and currencies can be freely exchanged. The foreign exchange coefficient for goods bought with different currencies in different countries cannot be directly compared because the price structure of the same good differs from country to country and the same foreign exchange income can purchase various amounts of goods in different countries. To ensure the constancy of the import and export foreign exchange coefficient index for various goods traded between different countries and different currency areas it is necessary to consider the real value of each currency. That is, we must convert different currencies into the domestic currency based on a certain exchange rate, which is a calculation of the absolute results of the import and export of goods. The commodity export absolute results index is a comparison between the foreign exchange income from exporting a good to a certain market and the domestic price value of the good, multiplied by the foreign exchange settlement rate. The absolute results figure of exporting a certain good is the foreign exchange earnings from exporting it times the settlement rate, minus the domestic price of the good. The way to measure the import absolute results figure of a good is to first convert the foreign exchange spent to import the good based on a certain exchange rate into domestic currency and then subtract the cost of importing from the domestic price of the good.

Soviet economists also formulated some other indices to make the analysis more meaningful. Two of the more common ones are the gross results index and the net results index. The gross results index is also called the nominal figure results index. It is a comparison between the foreign exchange income from exporting the good and the domestic production cost. The net results index refers to the effect of expenses at the final stage of production. With the aid of this index we can understand the results of various goods at each



stage of production and thus uncover and improve the backward links. At the same time, we can determine which stage of raw material processing has the highest results.

When examining the entire economic results of foreign trade and the combined results of imports and exports, the Soviet Union and Eastern European countries often use the foreign trade results index, which is a comparison of the product obtained by individually multiplying the domestic prices of various imports by the number of imports plus the domestic prices of various exports times the number of exports. The foreign trade results index is a coefficient that indicates the extent to which the sum of essential social labor which is conserved by imports can surpass the related total domestic production cost of exports. If this index is greater than 1, then a country can obtain additional income from foreign trade. When the index equals 1, a country can exchange goods, adjust surpluses and deficiencies and promote the balanced development of the economy, but it will not earn additional income. If the index is less than 1 a country may lose some essential social labor and some of its national income may flow abroad besides not earning additional income.

In the case where imports and exports are balanced in terms of foreign exchange calculations, the figure for the absolute results of foreign trade can be obtained by subtracting the related domestic production costs of exports from the social labor saved by imports.

By calculating the absolute results of foreign trade we can determine whether the pattern for developing foreign economic trade has a sufficient economic basis and whether it is rational. The task of planners and policymakers is to seek the highest economic results by choosing a plan for developing foreign economic trade ties that has both a large foreign trade results index and a large foreign trade results absolute index.

## II. Analysis of the USSR's Foreign Trade Economic Results

Theorists in the Soviet Union began to discuss the position and role of foreign trade in the national economy and how to develop foreign economic trade ties after the Soviet Union's economic development strategy changed. Although there still is no consensus in their understanding of many questions, they all still contend that in today's world a country that wants to develop must broadly participate in the international division of labor, make better use of foreign resources and markets and strengthen friendly relations with various countries. This provided the theoretical basis for the USSR to develop broad foreign economic ties. In the 1970's the USSR's foreign trade developed swiftly at an annual growth rate of 15.6 percent, versus the 13.2 percent and 8.2 percent of the 1950's and 1960's, respectively. Foreign trade jumped from 22.2 billion rubles in 1970 to 127.5 billion rubles in 1983. It should also be pointed out that the absolute percentages differed greatly in various periods because the base numbers differed. In 1951, the absolute value of each percentage point was 29 million rubles. In 1960, it was 95 million rubles. It climbed to 220 million rubles in 1970, to 803 million in 1980 and reached 1,275,000,000 in 1984. Thus, the absolute

growth rate of percentages must be calculated when reckoning the percent growth rate of foreign trade.

During the Ninth 5-Year Plan (1971-1975) the Soviet Union's foreign trade grew 129.6 percent (the absolute figure was 28.6 billion rubles). During the 10th 5-Year Plan it grew 85.6 percent (the absolute figure was 43.4 billion rubles). It should be noted that the jump in prices on the world market in the 1970's, particularly fuel, energy resources and certain raw materials, had a great impact on the Soviet Union. Nevertheless, the USSR's foreign trade growth was still quite rapid in this period even after subtracting price factors. According to statistics, 9.9 billion rubles of the USSR's absolute foreign trade growth from 1971 to 1975 was the result of increased foreign trade and the remaining 18.7 billion rubles was the result of price increases of exports. During the 10th 5-Year Plan the trade figure increased by 15 billion rubles because of increases in the amount of goods and foreign trade grew by 28.4 billion rubles because of price factors. According to data published by the Statistics Office of the Ministry of Foreign Trade of the USSR, in 1979 and 1980, 95 percent and 75 percent, respectively, of the country's foreign trade growth was the result of rising prices. Skyrocketing prices on fuels and energy resources alone allowed the Soviet Union to earn 5 billion rubles in 1979 and 4.9 billion rubles in 1980.

Regarding changes in the product mix, the change in proportional relationships of various goods also has a significant effect upon the average price index and the foreign trade results index. According to statistics, the changed indices in the variety of the USSR's exports and imports in 1980 were 96.6 percent and 96.2 percent of the 1975 figure, respectively. This clearly indicates that because of changes in the variety of the USSR's imports and exports from 1976 to 1980 the export and import average price indices fell 3.4 percent and 3.8 percent, respectively, despite the fact that few of the relatively higher priced goods were part of the total import and export figure.

It also must be pointed out that changes in the geographical orientation of imports and exports within the period of calculation also have a certain effect upon the average price index because the effects of imports and exports differ in various areas. The effect of the geographical orientation of imports and exports upon the average price index is called the geographic index. During the 10th 5-Year Plan the USSR's export and import geographic indices were 102.2 and 101.1 percent, respectively.

	<u>Trade growth index</u>		<u>Goods index</u>		<u>"Net" average price index</u>		<u>Product mix index</u>		<u>Geographic index</u>
Exports	206.6	=	126.3	x	165.7	x	96.6	x	102.2
Imports	166.7	=	132.6	x	129.3	x	96.2	x	101.1
Amount of trade	185.6	=	129.6	x	146.1	x	96.4	x	101.7

Because of the effect of various factors, the USSR's foreign trade growth in 1980 as compared to 1975 was as follows:

When analyzing foreign trade economic results the outcome will be greatly different depending on whether current or constant prices are used. Many Soviet scholars have pointed out that there are many drawbacks to the method of calculating the product mix of current prices. Particularly in the 1970's, problems regarding currency finances, raw materials and energy resources of the capitalist economies intensified sharply, and there was runaway inflation and fuel and energy prices soared. Under these conditions it is very difficult to accurately reflect the changes in economic results and analyze the foreign trade product mix using current price calculations. For example the proportion of machinery and equipment of the Soviet Union's total exports fell from 21.5 percent in 1970 to 12.9 percent in 1982 using current prices to analyze the export product mix but the proportion of machinery and equipment not only did not fall but on the contrary rose to 22.7 percent in 1982 using constant prices. The proportion of raw materials, fuel and energy resources of the Soviet Union's exports rose from 45.1 percent in 1970 to 64 percent in 1982 if calculated by current prices, but if calculated by constant prices, the proportion of these goods in the same period fell from 45.1 percent in 1970 to 38.1 percent in 1982. Thus, it is very essential to calculate changes in the product mix brought into the foreign trade results index by using constant prices.

The trade conditions index is a comparison between the average export price index and the average import price index. Under conditions of different price changes for different goods on the international market, formulating this index is extremely important to clarify the major price-scale relationships of foreign trade. According to statistics, during the 10th 5-Year Plan the USSR's trade conditions index was 130 percent. That is, export prices rose more quickly than import prices by 30 percent.

From the above analysis it can be seen that in the past 20 years the USSR quickly developed foreign economic trade ties and its economic results were good. Foreign economic ties have already become an inseparable part of the entire state economy and they have an increasingly important role in the development of the national economy. First, the Soviet Union exports a large amount of fuels and power resources and actively imports advanced technology and equipment to accelerate the technological transformation of various departments in the state economy and to promote domestic economic development. In the 1970's, fuels and power resources accounted for a continuously growing part of the USSR's exports, growing from only 15.6 percent in 1970 to 46.9 percent in 1980, comprising the major source of the USSR's foreign exchange income. The Soviet Union profited substantially from the large price rise in these goods in the 1970's and this gave the Soviet Union the capability of importing advanced Western technology on a grand scale. According to Western estimates, the USSR's industrial output value grew approximately 20 percent after putting the technology and equipment that was imported from the West into production. The Soviet Union used some cash to buy technology and equipment from the West but much more of it was obtained via compensatory trade. In recent years, the Soviet Union's compensatory trade with the West

has grown rapidly and is now quite sizable. According to statistics, the USSR has signed more than 60 large-scale compensatory trade agreements with some major developed Western countries. Based on data published by the USSR, only 20 to 30 percent of the goods produced by companies set up under compensatory trade agreements are used to pay back loans. The rest are sold domestically. The USSR has also imported a large amount of consumer goods. This has had a big role in satisfying the peoples' daily-increasing material and cultural needs and improving market supplies.

### III. The Foreign Trade Economic Results Index Awaits Improvements and Perfection

In recent years even though the question of economic results of foreign trade has attracted the concern of various levels in the Soviet Government, the concerned indices formulated by the Soviet Union's Ministry of Foreign Trade and State Planning Commission have still not become essential calculations made by foreign traders and enterprises when planning and summing up their work. The Soviet economist (You Bie-ge-ma) said: "The economic results index is not an instructive index for foreign trade or industrial departments. When formulating plans, many departments often do not give enough regard to the question of economic results." Practice has shown that there are still many unsolved problems with this index system. There is still a big need for further improvements and perfection.

The calculation formulas are quite simple at first glance but they are very hard to apply. It is mainly a question of data. Quite a lot of information and data are needed to determine the results of foreign economic trade activities. For a variety of reasons, the various industries, sectors, and scientific research units have much difficulty readily acquiring complete and accurate data, such that it is difficult to accurately assess foreign trade activity and results.

Moreover, with reference to the price system the Soviet Union is a country with a planned economy and most domestic selling prices are uniformly set by the state. Domestic and foreign prices are entirely unrelated. This makes it harder to calculate foreign trade economic results. Thus, in the past year some economists have raised doubts about the scientific nature of the Soviet Union's current economic results index system. They point out that the continuous rise in the Soviet Union's foreign trade economic results over the past year is a result of the continuous rise in the price of such "beneficial" goods as fuels and minerals. As the costs of earning foreign exchange from these exports fall, the export foreign exchange coefficient of these goods rises higher and higher, and thus the Soviet Union's foreign trade economic results are continuously rising. This kind of inference is too simple and is not the entire reason. The economist (Shen-mai-liao-fu) pointed out that there is a new problem with world economic prices. The domestic and world market price structure must reflect the situation that international demands for raw materials and fuels are constantly rising and these resources are becoming increasingly scarce, so we must consider the fact that these are nonrenewable resources. The economist Smirnov pointed out that there are two reasons why the benefits from the Soviet Union's export



of resources are constantly growing: 1) the prices of these kinds of exports are always rising; 2) their domestic prices have always been maintained at a rather low level. For example, the average selling price per ton of standard fuel in the Soviet Union is 20 rubles while the selling price per ton on the international market is 120 rubles, a foreign exchange coefficient of 6. He believes that there is a great falsity to such "benefits" created entirely by unrelated domestic and international prices. Thus, a formula has to be designed to calculate such export results. The formula must not only take into account various economic factors in the domestic price structure, it must also take into account foreign economic factors. Many scholars have contributed valuable research on this point, but the results are still unsatisfactory.

Many other scholars deny the economic results index system itself. They hold that the production and marketing of export goods involves multifarious problems and unusual difficulties. Therefore, a method to analyze and solve these problems and to determine a standard for the results of importing and exporting activities must also show variety to some extent. There can be no uniform standards and methods for determining the results of foreign economic trade.

Smirnov also pointed out: "When determining the exchange conditions of imports and exports, the most important of the many foreign economic factors are product quality and product shortages." These two factors can raise a product's price and thus indicate that its economic returns are high. He emphasized that the present question to consider is whether it is appropriate to substitute the shortage of extracted and industrial goods for high-quality processed goods exports. To understand the production costs of exporting and to calculate their economic results we must integrate the economic benefits that are before us with the long-range benefits to the state and break through the present narrow restrictions. Many economists agree with this point.

With regard to the present, the set of indices used to assess the results of foreign economic trade activities formulated by the Soviet Union has yet to be improved and perfected. It also should be noted that there is an intimate relationship between improvements in foreign trade economic results and the foreign trade administration system. Although the Soviet Union's foreign trade administration system has been almost reformed, industrial and foreign trade departments have yet to be integrated in the best possible way. These departments do not respect the results index enough and the state has not used the indices to assess and inspect the work of all departments and units. Thus, one of the crucial tasks of improving the results from foreign economic trade activity is to further reform the foreign economic trade administration system and to perfect the assessment system.

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CSO: 4006/955



## PUBLICATIONS

### YUNNAN REGULATIONS ON CONTROL OF PUBLICATIONS

HK160933 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 13 Oct 85

[Text] Recently, the Provincial Culture Department, Provincial Industrial and Commercial Administrative Bureau, Provincial Public Security Department, Provincial Commodity Price Bureau, and the Provincial Posts and Telecommunications Bureau jointly formulated regulations strengthening control over the marketing of books, newspapers, and journals.

These regulations designate the power to examine and approve the distribution of books, newspapers, and journals. They also state that units dealing in the business of books, newspapers, and journals are allowed to sell or lend books, newspapers and journals, approved by the publication administrative departments at and above the provincial level. They are also allowed to reprint books which have already been published. These units are not allowed to deal in illegal publications and the newspapers, journals, and books which are published by unofficial publishing units, including single-page and pin-up calendars. The regulations state that nonpublishing units are not allowed to compile and print books, newspapers, and journals for the purpose of sale. Offenders will be dealt with by confiscating their articles or imposing a fine in accordance with the seriousness of the case. Reactionary, obscene, and absurd books, newspapers, and journals of all units and individuals who sell or lend them must be confiscated. Their business license are to be cancelled, and furthermore, they must be punished by the public security and judicial organs in accordance with the relevant laws. The criminal liabilities of those who violate the criminal law must be investigated and affixed.

CSO: 4006/147

PUBLICATIONS

BRIEFS

JIANGSU TECHNOLOGICAL PUBLICATION--Nanjing, 3 Oct (XINHUA)--"CT Technology," a special work and a first ever in China on the use of CT technology, written by Luo Shibao, engineer of the Nanjing Military Regional General Hospital, was recently published by the Jiangsu Provincial Scientific and Technological Publishing House. CT is a new technology in medical electronic engineering. It uses a computer to construct a clear and accurate stereopicture of the internal structure of the human body, and is thus an effective tool for observing pathological changes in internal organs and for diagnosis of early-stage tumors. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1250 GMT 3 Oct 85]

CSO: 4006/147

TAIWAN

BRIEFS

TAIWAN-U.S. TRADE--The two-way trade between the Republic of China and the United States in the first 7 months this year reached U.S. \$12.24 billion, up 5.77 percent from one year ago. U.S. Commerce Department's statistics show that during this period the Republic of China exported to the United States over U.S.\$9,499 million worth of goods, 9.6 percent over the same period last year, enjoying a favorable balance of U.S.\$6,755.7 million. [Text] [Taipei Domestic Service in Mandarin 2300 GMT 4 Sep 85]

CSO: 4006/149 .

HONG KONG MEDIA ON CHINA

SHENZHEN TO FORM FOREIGN EXCHANGE REGULATING CENTER

HK200516 Hong Kong WEN WEI PO in Chinese 20 Oct 85 p 2

[Report: "Newly-appointed Mayor Li Hao Recently Said Shenzhen Will Set up a Foreign Exchange Regulating Center"]

[Text] Shenzhen has decided to set up a foreign exchange regulating center to regulate the foreign exchange of various units in the special zone. As China has not opened up its foreign exchange market so far, the establishment of this center will play the role of regulating foreign exchange. This proposal was made by Li Hao after he assumed the office of mayor of Shenzhen. The details of the plan are still under discussion. The center will be an organ subordinate to the Shenzhen City Government. Lu Zufa, president of the Shenzhen Economic Society and secretary general of the Shenzhen Special Economic Zone, disclosed this news at a symposium "Finances of the Special Economic Zone" sponsored by the alumni association of the Chinese University of Hong Kong yesterday.

Lu Tzufa said: According to the tentative plan for the future development of Shenzhen's financial system, a multicredit form, multi-layered, and multi-functional financial system will be set up with the central bank of the special zone as the core, with the special banks as the main body, and with the cooperation of other important nonbanking organs. The stress of financial reform will be on opening up the financial market, perfecting financial laws and regulations, and particularly maintaining the balance of income and expenditures in credit. In his speech, he also explained the developments and future prospects of the Shenzhen Special Economic Zone.

CSO: 4006/148

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